Negotiation across China: how to build and manage guanxi during the negotiation process

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Negotiation Across China:
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Presented by candidate

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Abstract

This thesis examines the practical issue of how to build and manage guanxi during the negotiation process. China has become a major topic of conversation in academic, business and negotiation literature in recent times, as has the concept of guanxi behaviour. However, we know little about how guanxi in non-Eastern cultures, such as Australians, feel about this idea. For this reason, three research questions were developed in the Literature Review. The research methodology is qualitative, based on the interpretivism paradigm using a phenomenology research design. In-depth interviews were conducted with 24 Australian and Chinese participants. The findings were also triangulated using the focus group interviews.

The research data analysis is based on the Stevick-Colaizzi-Jeen method by Moustakas (1994). The results show that guanxi itself is a quality built on relationships, favours, dependence, competency, experience and adaptation rather than inter-organisation relationships. Furthermore, the study of guanxi needs to be done by examining both internal factors (for example, cooperate) and external factors (for example, macro-environment) which influence the negotiation of an enterprise. Finally, guanxi strategies aim to improve: (1) guanxi quality; (2) negotiation performance; (3) competitive position; and (4) competitive advantage for win-win negotiation purposes.

Based on the findings, a new conceptual framework is proposed in an attempt to develop theories of guanxi perception, the influence of guanxi in business negotiation, and guanxi strategies.

Key Words
China
Guanxi
Cross-cultural Negotiation
Guanxi and Negotiation Strategy
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## Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ATC</td>
<td>Australian Trade Commission</td>
</tr>
<tr>
<td>AUD</td>
<td>Australian Dollar</td>
</tr>
<tr>
<td>BATNA</td>
<td>Best Alternative to Negotiated Agreement</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
</tr>
<tr>
<td>CNY</td>
<td>Chinese Yuan</td>
</tr>
<tr>
<td>CSFs</td>
<td>Critical Success Factors</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>MNEs</td>
<td>Multinational Enterprises</td>
</tr>
<tr>
<td>NAATI</td>
<td>The National Accreditation Authority for Translators and Interpreters Ltd</td>
</tr>
<tr>
<td>NBS</td>
<td>National Bureau of Statistics</td>
</tr>
<tr>
<td>SMIES</td>
<td>Small and Midsize International Enterprises</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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Statement of Original Authorship

I certify that the work presented in this thesis is, to the best of my knowledge and belief, original, other than as acknowledged in the text and that this material has not been submitted, either in whole or in part, for a degree at this or any other university.

I also certify that to the best of my knowledge any help received in preparing this thesis, and all sources used have been acknowledged in this thesis.

______________________________
Chia Heng Liu

October 2008
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Chapter One: Introduction

1. Overview of the Introduction

A systematic process that includes defining, designing, doing and describing an investigation into a research problem (Maylor & Blackmon 2005, p. 5).

This research investigates guanxi in relation to the negotiation process in China. The chapter consists of eight main sections, as shown in table 1 (p. 2). Section 1.1 (p. 2) outlines the broad field of study and then leads into the focus of the research problem. The next section, section 1.2 (p. 4), explains the core ideas of the research. Section 1.3 (p. 6) discusses the justification for the research and a summary of the research methodology is presented in section 1.4 (p. 7). Furthermore, the outline of this research and definitions are provided in sections 1.5 and 1.6 (pp. 11-15). Finally, section 1.7 (p. 17) identifies the delimitations of scope and key assumptions and limitations of this research. The chapter conclusion is presented in section 1.8 (p. 18).
1.1 Background to the research

Over the last two decades, under the pressure of global competition, a number of Australian firms have been forced to look for new ways to generate value. Throughout the world, the notion of ‘going to China’ has become a prevalent phenomenon because organisations are increasingly viewing globalisation as a means of improving their overall competitive position. According to Soliman and Youssef (2003), competitiveness could be greatly improved by addressing critical information/knowledge in organisational systems and processes. This in turn could lead to underpinning any gaps in negotiation knowledge or information that could ultimately affect the success of the negotiation process and in turn the competitive position of the firm (Soliman & Spooner, 2000). Fang
(1999, p. 1) further notes that China is the largest recipient of foreign direct investment among developing countries and the second largest in the world after United States. By the end of 2006, China had accumulatively approved over 570,000 foreign-invested enterprises with a contractual foreign investment of AUS$2337.22 billion and actual invested capital of AUS$ 774.31 billion (National Bureau of Statistics of China 2007). Since 1978, China’s real gross national product has grown by an average 9.5 percent per year, and its foreign trade has grown more than 16 percent per year (Fang 1999, p. 2). China’s rank in world trade has risen steadily from 32\textsuperscript{th} in 1978 to 11\textsuperscript{th} in 1993, and it is currently ranked 3\textsuperscript{rd} with an average of 10 percent in economic growth per year (World Trade Organisation 2007). For these reasons, China is emerging as one of the most dynamic elements in world trade and international business.

While China is a magnet for businesses around the world, several scholars have noticed that Australian managers are faced with the complex task of guanxi (关係) during the negotiation (Wu 2007; Whyte 2006; Fletcher & Brown 2005; Hill 2003; Hodgetts & Luthans 2003). According to Fang (1999, p. 118), guanxi is driven essentially from the Chinese family system, and it is one of the most important cultural traits of Chinese people the world over. In general, guanxi can refer either to the state of two or more parties being connected or to the connected parties themselves (Chen & Chen 2004, p. 307). In negotiation, guanxi is a Chinese word which refers to the process of negotiation based on relationships, connections, friendship and trust (Graham & Lam, 2004, p. 31; Buttery & Leung 1998, p. 1). The reason for this is that Chinese instincts are for agreements worked out behind the scenes on the basis of give and take, harmony and long-term interests (Buderi & Huang 2006, p. 6). The key to successful business dealings with the Chinese lies in the cultivation of friendships (Buderi & Huang 2006, p. 7). The concept of friendships and relationships is culturally important and achieving them leads to a smoother business venture based on trust, mutual respect and long term gains for all parties (Walker, Walker & Schmitz 2003, p. 69). The Chinese will spend a great deal of time getting to know their potential partner, especially at the commencement of a relationship. Thus, guanxi pervades the whole Chinese negotiation process.
This is in stark contrast to the Australian style. Australians are conscious of time and feel the pressure of deadlines in negotiations. They can become aggressive and express their frustrations earlier, as compared with Chinese negotiators. Australian managers also often have more authority to make on-the-spot decisions (Fletcher & Brown 2005, p. 111). Trust generally builds up from the desired outcome of the negotiation in the Australia business environment (Fletcher & Brown 2005, p. 103). Lewicki and Hiam (2006, p. 1) further explain that negotiations are seen as a means to resolve conflicts, to agree upon courses of action and to craft outcomes to satisfy profit interests in Australia. Thus, it is clear that Australian managers have their own negotiation style that is quite different to Chinese managers in the business environment.

Different countries thus produce divergent negotiating styles (Herbig & Gulbro, 1997). However, without the use of guanxi in negotiations, Australian managers simply cannot get anything done in China (Davies, Leung Luk & Wong 1995, p. 12). Hodgetts and Luthans (2003, p. 294) also point out that in negotiating effectively, it is important to have a sound understanding of guanxi in China. Therefore, this research will explore the concept of guanxi and how Australian and Chinese managers can begin to develop guanxi during the negotiation process. This study is significant because it will offer a useful guide to Australians in developing their negotiation strategies and operation decisions.

In addition, the researcher provides pin-yin with simplified Chinese characters based on the official Mandarin pronunciation and writing for the Chinese reader’s convenience in this research.

1.2 Research Problems, Propositions/Research Issues and Contribution

According to Soda (2004, p. 3), in order to successfully negotiate in China one must remember that its long and complex guanxi culture has developed behavioural parameters which are different from Australia and these are based on what is considered acceptable, just and efficient. Writers such as Ford (1980) and Gronroos (1994) also encourage
Western firms to consider relationships as an important consideration in negotiations. In other words, guanxi plays an important role during the negotiation process in China.

However, the researcher conducted limited research by discussing guanxi practice with classmates and colleagues at university and work. Unfortunately, their notions of guanxi were still not clear although some of them plan to do business in China. Furthermore, there are only few studies which are entirely devoted to the analysis of guanxi during the negotiation process (Szeto, Wright & Cheng 2006; Wood, Buttery & Wong 1999; Buttery & Leung 1998). Based on the evidence, this study was designed to address the following research problem: How can negotiators build and manage guanxi during the negotiation process?

12.1 Aims and Objectives of this Thesis
It is proposed that this study makes a contribution to knowledge as it will meet the following objectives:

- To identify the notion of guanxi from both Australian and Chinese perspective.
- To identify the influences of guanxi during the negotiation process in Australia and China.
- To identify the formulation and implementation of guanxi strategies during the negotiation process for both Australian and Chinese managers.

1.2.2 Research Questions
To cope with the objectives, three research questions were developed in section 2.5 (p. 58) and these are:

- **RQ 1:** How do Australian managers and Chinese managers differ in their perception of guanxi?
- **RQ 2:** How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?
- **RQ 3:** What strategy-related areas should Australians and Chinese pay attention to in order to ensure successful negotiation with each other?
Section 3.4.2.2.1 (p. 94) indicates the research issues that were developed to focus data collection and analysis in order to satisfactorily solve the following research problems:

- How did/do you experience guanxi?
- How did/do you experience guanxi in the negotiation process?
- How does guanxi affect the negotiation process in Australia?
- How does guanxi affect the negotiation process in China?
- What strategies would you recommend to build up guanxi in the negotiation process?
- What strategies should be avoided to build up guanxi during the negotiation process?
- What strategies would you recommend to manage guanxi for future negotiation processes?

Finally, answering the research issues provides a contribution that will be presented in section 5.2 (p. 152).

1.3 Justification for the Research

There are three major justifications for undertaking this research: what constitutes guanxi; how guanxi affects the negotiation process; and the formulation/implementation of guanxi strategies. Although these are covered more fully in section 2.5 (p. 58), an overview of the key findings in relation to research questions are presented in the following paragraph.

Firstly, no matter how differently researchers define what guanxi is, most of them agree that guanxi refers to inter-personal relationships (Ambler & Witzel 2000, p. 97; March & Wu 2007, p. 127; Chen 2001, p. 46). However, other scholars such as Vanhonacker (2004), Ambler and Witzel (2000) and Dunfee and Warren (2001) argue that the real guanxi also includes both inter-personal and inter-organisational relationships. Lewicki and Hiam (2006, p. 68) further explain that the understanding of guanxi depends on how well managers understand Chinese culture and history. Hence, the first research question
was posed: How do Australian managers and Chinese managers differ in their perception of guanxi?

Secondly, many scholars point out that the understanding of Confucian themes and guanxi is the best solution to a successful negotiation in China (Buttery & Leung 1998; Wong & Tam 2000; Szeto, Wright & Cheng 2006). However, it is also important to examine other factors (for example, laws) that influence guanxi during the negotiation process (Tian 2007, p. 54). The second research question was therefore posed: How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?

Thirdly, guanxi is so pervasive in China that enterprises often have to utilise it as a strategic plan for win-win negotiation purposes (Tian 2007, p. 69). However, guanxi is like any asset in that it must be managed to make sure it does not become a liability (Vanhonacker 2004, p. 49). In other words, it is important for both Australian and Chinese managers to design or have a strategic guanxi plan to achieve win-win negotiations in future. Thus, the final research question was posed: What strategy-related areas should Australians and Chinese pay attention to in order to ensure successful negotiation with each other?

Finally, after gaining some understanding of the important gaps from Literature Review, it appears that this research cannot be considered a theory-test research. This study should be classified as a theory-build research. The reason is that guanxi research requires emphasising a meaningful study of Chinese society, and it includes social relations, social actions and value relativism. Furthermore, previous researchers such as Woo, Wilson, and Liu (2001, p. 350) pointed out that theory-build research leads higher level of reliability in cross-cultural studies by understanding of participants’ feeling, attitude, and behaviour through qualitative research method. Therefore, a qualitative research method is proposed.
1.4 Methodology

**Chosen Methodology**: As this study is of qualitative, the interpretivism paradigm appears to be more appropriate for this research. Neuman (2006, p. 105), summarises of difference among the paradigm approaches to social research (Table 2, p. 8).

### Table 2: A Summary of Differences among the Paradigm Approaches to Social Research

<table>
<thead>
<tr>
<th></th>
<th>Positivism</th>
<th>Interpretive</th>
<th>Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Reason for research</strong></td>
<td>To discover natural laws to people can predict and control events</td>
<td>To understand and describe meaningful social action</td>
<td>To smash myths and empower people to change society</td>
</tr>
<tr>
<td><strong>2. Nature of social reality</strong></td>
<td>Stable pre-existing patterns or order that can be discovered</td>
<td>Fluid definitions of a situation created by human interaction</td>
<td>Multiple layers and governed by hidden, underlying structures</td>
</tr>
<tr>
<td><strong>3. Human nature</strong></td>
<td>Self-interested and rational individual are shaped by external force</td>
<td>Social being who create meaning and how constantly sense of their worlds</td>
<td>Creative, adaptive people with unrealised potential trapped by illusion</td>
</tr>
<tr>
<td><strong>4. Human agency</strong></td>
<td>Powerful external social pressures shape people’s actions; free will is largely illusion</td>
<td>People have significant volition; they develop meanings and have freedom to make choice</td>
<td>Bounded autonomy and free choice structurally limited, but the limits can be moved</td>
</tr>
<tr>
<td><strong>5. Role of common sense</strong></td>
<td>Cleary distinct from and less valid than science</td>
<td>Powerful everyday theories used by ordinary people</td>
<td>False beliefs that hide power and objective conditions</td>
</tr>
<tr>
<td><strong>6. Theory looks</strong></td>
<td>A logical, deductive</td>
<td>A description of</td>
<td>A critique that</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>like</th>
<th>system of interconnected definitions, axioms, and laws</th>
<th>how a group’s meaning system is generated and sustained</th>
<th>reveals true conditions and helps people take action</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. An explanation that is true</td>
<td>Is logically connected to laws and based on facts</td>
<td>Resonates for feels right those who are being studies</td>
<td>Supplies people with tools needed to change the world</td>
</tr>
<tr>
<td>8. Good evidence</td>
<td>Is based on precise observations that other can repeat</td>
<td>Is embedded in the context of fluid social interactions</td>
<td>Is informed by a theory that penetrates the surface level</td>
</tr>
<tr>
<td>9. Relevance of knowledge</td>
<td>An instrumental orientation is used; knowledge enables people to master and control events</td>
<td>A practical orientation is used; knowledge helps us embrace/share empathetically other’s life worlds and experiences</td>
<td>A dialectical orientation is used; knowledge lets people see and alter deeper structures</td>
</tr>
<tr>
<td>10. Place for values</td>
<td>Science is value free, and values have no place except when choosing a topic</td>
<td>Values are an integral part of social life; no group’s values are wrong, only different</td>
<td>All science must begin with a value position; some positions are right, some are wrong</td>
</tr>
</tbody>
</table>

Source: Neuman 2006, p. 105

Creswell (2007, p. 38) and Kruger (1998, p. 12) further point out that ‘interpretivism paradigm provides a pervasive lens or perspective aspects of a qualitative research project’ and The ‘phenomenology approach is able to target an understanding of social relationships in qualitative method, theory-build research’. As mentioned previously, the researcher’s initial thinking was to investigate what guanxi is and how guanxi affects the
negotiation process in Australia and China. In other words, the significance of the guanxi’s influence on negotiation practices becomes even greater when the two parties involved in the negotiation process have considerably different cultural backgrounds. Thus, this research uses the interpretivism paradigm/qualitative research method/phenomenology approach in order to understand the guanxi human behaviour of both Australian and Chinese managers.

**Sampling:** Section 3.4.1.4 (p. 90) indicates that flow populations with non-probability quota sampling works well when the studied individuals represent people from different backgrounds and who have experienced the phenomenon (Creswell 2007; Ritchine & Lewis 2003). Polkinghorne (1989, cited in Creswell 2007, p. 120) further notices that phenomenological analysis typically involves five to 25 people who have experienced the phenomenon. Based on the evidence, a total of 24 (non-random) samples were divided into four different groups:

- Group A – Australians working in Australia
- Group B – Australians working in China
- Group C – Chinese working in Australia
- Group D – Chinese working in China

These samples were chosen:

- in order to conduct the research carefully, scrupulously and reliably;
- in order to conduct the research systematically;
- because comparisons among the two cultures are possible; and
- to be aware of ‘prejudices, viewpoints or assumptions regarding the phenomenon under investigation’ (Giorgi, 1985, p. 123).

**Data collection methods:** Section 3.4.2.1 (p. 92) shows that the researcher conducted in-depth interviews and focus group interviews based on the ideas that:
accurate information about participants’ attitudes, values and opinions can be obtained;

the informal atmosphere encourages the participants to be open and honest through open-ended questions (Langley 1999, p. 24);

the participants have a great deal of leeway in how to answer the questions. In-depth interviews last as long as two hours in this research;

the researcher can adjust questions so that sensitive issues can be add/cancel during the in-depth interviews; and

the researcher uses focus group interview to increase confidence in the credibility of results from the in-depth interview, rather than simply define data as true (Massey 1999, p. 2).

**Ethics issues:** This study will be conducted purely for academic research purposes. The details of the participants’ profiles (for example, names) have been removed at the request of the University. The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee (Appendix 3, p. 201). The findings will be presented in a descriptive fashion (Wong 2006, p. 9)

**1.5 Outline of this Thesis**

The structure of the thesis is based on Perry (1998, p. 4), and this structure is also recommended by the Southern Cross University.

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1.6 Definitions

The key terms used in this study are defined below. More detailed descriptions of the terms will appear in later chapters in this research.

Guanxi (关系) is sometimes used to refer to relationships and connections. However, there is no direct English translation for the word guanxi (Chen 2001, p. 46). For this reason, the real meaning of guanxi is identified in Chapter Five.

Renqing (人情) is a crucial concept for both understanding and cultivating Chinese guanxi relationships (Chen 2001, p. 49).

Negotiation is the daily ‘give’: once your eyes and ears are tuned to the language of negotiation, then people are communicating with others to determine the nature of future behaviour, for example, what movie to see, what price to offer, what work schedule to propose, and so on (Lewicki & Hiam 2006, p. 1).

Cross-cultural negotiation is the means by which people deal with their differences in both micro and macro environments.

Hofstede’s five dimensions, is a theory which is an aspect of culture that can be measured relative to other cultures (Buttery & Wong 1999, p. 147). The five dimensions are: (1) power distance; (2) collectivism versus individualism; (3) femininity versus masculinity; (4) uncertainty avoidance; and (5) long-term versus short-term orientation (Buttery & Wong 1999, p. 147).

Taoism (Daojiao - 道教) is a religion which considered balancing the universe in harmony with peace in China (Chu 1991, p. 176).

Buddhism (Fojiao - 佛教) is a religion which was ‘imported’ to China from India around the first century; especially the Buddhist doctrine of ‘reincarnation’ has enabled many
Chinese to endure hardship, suffering and other vicissitudes in life and to look forward to a better life (Fang 2006, p. 52).

*Kongzi* (孔子), better known in the west as ‘Confucius (*Kongfutzu* - 孔夫子’ or ‘Confucianism (*Rujia* - 儒家’), one of the major influences on Chinese behaviours, such as harmonious relationships between individuals, the family and the state (Crombie 2005, p. 102). Selmer (1998), Lau (2000), Keller and Kronstedt (2005) further point out that there are five Confucian virtues as shown below:

- **Li** (礼) means ritual

- **Xiao** (孝) means filial piety

- **Ren** (仁) means humanness and love for other

- **Junzi** (君子) means righteous behaviour of person

- **Zhengming** (正名) means loyalty and nothing is incorrect

*Research paradigm* is a cluster of beliefs and dictates which for researchers in a particular discipline influence what should be studied, how research should be done, how results should be interpreted and so on (Jupp 2006, p. 212).

*Phenomenology*, this type of study describes the meaning of experiences of a phenomenon for several individual (Creswell 2007, p. 236).

*Stevick-Colaizzi-Jeen method*, one of the phenomenological data analysis method which was modified by Moustakas (1994), it includes the researcher bringing personal experiences into the study, the recording of significant statements and meanings, and the development of descriptions to arrive the ‘essences’ of the experiences (Creswell 2007, p. 236).
1.7 Delimitations of Scope and Key Assumptions

According to Perry (1995, p. 19), delimitations are sometimes called ‘limitations’ in a PhD or DBA thesis. In this thesis, the researcher uses the word limitation for academic purposes.

Limitations to this study arose from the three Chinese philosophical traditions named Confucianism, Taoism, and Buddhism. As Chapter Two (p. 38) shows, an understanding of Confucian themes and ‘Guanxi’ is the best solution to successful negotiation with the Chinese because Chinese are hard bargainers and use the guanxi itself as one of the key tactics to win. Furthermore, Chinese people are less concerned with religion than are other people (Chapter Two, p. 37). Thus, Taoism and Buddhism, the two biggest Chinese religions, are less suitable to be included in Confucianism.

Secondly, ethnography is concerned with the study of culture and it is an important research approach in areas such as sociology (Maylor & Blackmon 2005, p. 144). Creswell (2007, p. 242) further explains that the ethnographer listens and records the voices of informants with the intent of generating a cultural portrait. In other words, an ethnographic approach is more likely to pick up on differences between cultures such those between Australia and China. However, an ethnographic approach normally requires the researcher to live in the culture for one to three years (Chapter Three, p. 82). Therefore, due to the time and financial constraints of an ethnographic approach, the phenomenological approach has been chosen for this research.

Finally, a phenomenological study describes the meaning of experiences of a phenomenon for several individuals (Chapter Three, p. 85). Further, phenomenological analysis typically involves five to 25 people who have experienced the same phenomenon (Chapter Three, p. 91). Based on suggestions, the sampling size is small in order to ensure that both Australian and Chinese participants are individuals who have actually experienced the guanxi phenomenon. This research is limited to the Australian and Chinese context.
1.8 Conclusion for Chapter One
This chapter has laid the foundations for the thesis (Wong 2006, p. 14; Perry 1998, p. 19). An overview of the background to research was provided in section 1.1 (p. 2). Section 1.2 (p. 4) then introduced the research problem and research issues. In section 1.3 (p. 6), research was justified. The methodology was briefly described in section 1.4 (p. 7), and then the thesis was outlined in section 1.5 (p. 11). Finally, the key terms used in this study are defined in section 1.6 (p. 15) and the limitations were given in sections 1.7 (p. 17). Accordingly, this thesis is concerned with a detailed description of the research (Perry 1998, p. 19). In Chapter two, a review of the literature is provided for the purpose of identify gaps for the purpose of developing and advancing the course of this research (Wong, 2006 p. 14).
Chapter Two: Literature Review

2. Overview of the Literature

*The bottom line is not the only measure of effectiveness – what else should be used?* (Miller 2007, p. 15).

This review identifies and organises the concepts of interest from relevant sources (Rowley & Slack 2004, p. 31). It also helps the researcher to manage a range of information sources which might be used to form the research questions (Rowley & Slack 2004, p. 32). As Cavana, Delahaye and Sekaran (2001, p. 58) note, good literature has the following advantages: important variables that are likely to influence the problem situation are not left out of the study; a clearer idea emerges as to what variables would be most important to consider parsimony; testability and replicability of the findings of the current research are enhanced; the research problem statement can be made with precision and clarity; and one does not waste effort in trying to discover something that is already known.

The literature on cross-cultural negotiations between Australian and Chinese people is thus reviewed, with an emphasis on both Confucianism and guanxi. In general, Confucianism deals with human relationships (Fang 2006, p. 52). Guanxi deals with personal connections (Hofstede 2001, p. 362). However, in order to explore this research topic, the definitions of ‘negotiation’ are first presented, together with a description of the negotiation process, conflicts and classical strategies. The two parent literatures relating to the research problem are then explored so that the way of negotiating with the Chinese can be fully understood. The overview of both Confucian theme and guanxi literatures are then summarised into three levels of concepts and the research questions are developed with the conceptual framework (Table 12, p. 59). Table 4 (p. 20) indicates how the material in this chapter supports, informs and assists the development of the concept map for this study. Section 2.6 (p. 63) provides a summary of the Literature Review.
Table 4: The Structure of Chapter Two

2. Overview of the literature

2.1 Definitions of negotiation

2.2 Cross cultural negotiation

Parent discipline 1

2.3 Negotiation in Australia and China

Parent discipline 2

Immediate discipline

2.4 Guanxi, Confucian themes, and strategy in Chinese negotiation

2.4.1 Level 1: The notion of guanxi

2.4.2 Level 2: Culture impact on the negotiation environment

2.4.2.1 The Confucian themes “Li”: (Guanxi in Ritual, Face, Communication, and Negotiation Style)

2.4.2.2 The Confucian themes “Xiao”: (Guanxi in status, power and hierarchy)

2.4.2.3 The Confucian themes “Ren”: (Guanxi in reciprocal network and ethics)

2.4.2.4 The Confucian themes “Junzi” (Guanxi in flexibility, thrift, and harmony)

2.4.2.5 The Confucian themes “Zhengming” (Guanxi in reality and opportunism)

2.4.3 Level 3: Guanxi as a negotiation strategy in China

2.5 Conceptual framework and research questions of this study

1. How do Australian managers and Chinese managers differ in their perception of guanxi?

2. How does guanxi affect the negotiations of Australian and Chinese managers, in the business environment?

3. What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiation with each other?

2.6 Conclusion for chapter two

Source: Developed for this study
2.1. Definitions of Negotiation

Negotiation is a part of life for everyone (Maddux 1986). When people confer and discuss everyday problems, they are negotiating. According to Cohen (2002, p. 1) the history of negotiation started with two property owners who had a disagreement and would hire knights to determine who was right, however, the process was called ‘waging war’. Using this line of reasoning, negotiation could be viewed as a means for determining who is right. It retains the underlying sense that, as a consequence, some parties end up as winners and others emerge as losers (Cohen 2002, p. 1).

However, there are several definitions of negotiation today. Cohen (2002, p. 2) points out that negotiation is when people want to do something together and they need to use some sort of mechanism to reach an agreement, such as buying or selling an item or making a business deal. Lewicki and Hiam (2006, p. 1) note that negotiation is the daily ‘give’: once your eyes and ears are tuned to the language of negotiation, then people are communicating with others to determine the nature of future behaviour, for example, what movie to see, what price to offer, what work schedule to propose, and so on. In contrast, Weigand (2001, p. 91), Firth (1995, p. 4-8), and Ehlich and Wagner (1995, p. 30) reported that there are three meanings of the term ‘negotiation’. First, when a non-linguist talks about ‘negotiation’, he has in mind ‘negotiation talk’, for example peace negotiations, business negotiations, or wage disputes. Thus negotiation is an event, a specific type of discourse, where negotiating about a fixed topic is the essential part (Firth 1995, p. 4). The second meaning of the term is ‘negotiation as an activity of social decision making’. For example, Firth (1995, p. 6-7) defines it as: ‘a communicative attempt to accommodate potential or real differences in interests in order to make mutually acceptable decisions on substantive matters.’ This is quite similar to the definition given by Ehlich and Wagner (1995, p. 30): ‘A discourse counts as a negotiation if the participants relate themselves to each other’s goals and interests and to the problems of implementing their goals.’ The third meaning would be ‘negotiation as an aspect of interaction’. In every type of verbal communication there might be negotiation about interactional aspects such as floor access, topic selection, contextual assumptions or the misinterpretation of messages. This form of negotiation is inherent to
communication and has little or nothing to do with differing viewpoints about a topic or differing goals and interests. We might also call this third conception: ‘negotiation as an interactional phenomenon’ (Firth 1995, p. 8).

Woo and Prud’homme (1999, p. 314) also point out that there are five basic characteristics for negotiation:

1. Two or more parties in competition for a fixed amount of value, in order to reach a mutually satisfactory agreement over conflicts.
2. Each party has different interests and objectives, which prevent the achievement of an outcome. Negotiation skills are used in creating suitable environments for reaching such agreements. Thus, parties look for opportunities to satisfy the key objective for each.
3. Each party should consider the possibility of persuading the other to modify their initial position. No matter if the outcome is not the one expected at first, each party must retain hope that an acceptable outcome can be reached.
4. Each party has a degree of power over the other’s ability to act, and essentially it is an interaction between people.
5. A successful outcome is a mutually acceptable solution or compromised solution.

In other words, negotiation is an activity and an interactional phenomenon. Negotiation is the process by which at least two parties try to reach an agreement on matters of mutual interest (Herbig & Gulbro 1997, p. 158). This also suggests that when there is negotiation about a topic, then as within conflicts, it is highly likely that there will also be an increasing number of factors of negotiation about aspects of interaction and about meaning. Herbig and Gulbro (1997, p. 158) point out that negotiation proceeds as an interplay of perception, information processing and reaction, all of which turn on images of reality, on implicit assumptions regarding the issues being negotiated and on an underlying matrix of conventional wisdom, beliefs and social expectations. This is a type of back-and-forth communication designed to achieve one’s goals. Therefore, negotiation
is able to define a social process that is central to our everyday existence and we are constantly negotiating in our personal and professional lives.

However, people do not often realise that negotiation occurs in their everyday life. According to Stark (2003, p. 3), over 36 percent of Australian university students answered that they were ‘seldom or never’ in negotiation with other. However, Stark believes that the correct answer should have been ‘always’, because everything in life is negotiated, under all conditions, at all times (Stark 2003, p. 3). Maddux (1995, p. 7) also notes that it is dangerous to be in the midst of a negotiation without recognising it, because you will not be able to improve the outcome for yourself and this reduces the chances of successful negotiation. Furthermore, some people often think of negotiation as something that happens during a face to face encounter (Volkeman 2006, p. 1). In reality, negotiation is a more complicated, multi-stage process, beginning before most people realise it and continuing beyond the signing of an agreement (Volkeman 2006, p. 2). According to Dietmeyer (2004, p. 3), the negotiation process includes the following stages: pre-negotiation, encounter, exchange, closure, and post-negotiation. In everyday negotiation, people feel some level of ease or discomfort, and satisfaction or dissatisfaction, depending on the importance of the negotiation and these feeling can occur in any of the stages of the negotiation process. Negative feelings may occur, such as in anticipation of first encountering the other party (pre-negotiation), during the face to face meetings and exchange (for example, introduction, information sharing, proposal surfacing), and when the contract or agreement is being executed (Volkeman 2006, p. 1). These feelings are the results of leverage in the negotiation conflicts (Table 5, p. 24).
Spoelstra and Pienaar (1996, p. 16) also note that conflict occurs when people have separate and conflicting interests and needs. Negotiating parties may be subjected to different forms of conflict, depending on their needs and interests at the time, or the needs and interests of their constituents (Spoelstra & Pienaar 1996, p. 16). For example, they may both have a need for the same piece of real estate, the same position in the company, a similar part of the market, or equal amounts of support amongst voters. In other words, the needs of people and organisations lie at the basis of negotiating potential, especially when resources to meet those needs are scarce (Spoelstra & Pienaar 1996, p. 23). It is often said that negotiation is the matching of the needs and resources of parties, each needing the resources of the other (Spoelstra & Pienaar 1996, p. 23). Thus, according to Lewicki, Barry and Saunders (2007, p. 17) conflicts are commonly identified at four levels:

1. **Intra-personal conflict**: These conflicts occur within an individual. Sources of conflict can include ideas, thoughts, emotions, values, predispositions, or drives
that are in conflict with each other.

(2) **Inter-personal conflict**: A second major level of conflict is between individuals. inter-personal conflict occurs between workers, spouses, siblings, roommates, or neighbours.

(3) **Intra-group conflict**: A third major level of conflict is within a group – among team and work group members and within families, classes, living units, and tribes.

(4) **Inter-group conflict**: The final level of conflict is intergroup – between organisations, ethnic groups, warring nations, or feuding families or within splintered, fragmented communities. At this level, conflict is quite intricate because of the large number of people involved and the multitudinous ways they can interact with each other. Negotiations at this level are also the most complex.

Interestingly, several scholars report that negotiation has found a specific field of application in the solution of conflicts through fragmental framework and three way approaches (Pruitt & Carnevale 1993; Watkins 2003; Pruitt & Kim 2004; Lum 2004).

Firstly, according to Lum (2004, p. 22-23) and Watkins (2003, p. 14) successful negotiations must have a fragmental framework based on knowing the substance elements of any negotiation named ICON and these are:

- Interests are the subjective needs, concerns and desires of the parties. They are the basis from which people negotiate.
- Criteria are objective benchmarks, precedents, and standards of legitimacy to filter and judge which options are best. Savvy negotiators come to the table with a good understanding of relevant benchmarks even before anything is agreed to.
- Options are the possible solutions to which the parties might agree for satisfying their shared, differing and conflicting interests.
- No-Agreement Alternatives are what the parties will do if they walk away from the negotiation without coming to any agreement.
Secondly, there are three ways to approach negotiations: (1) Negotiation processes can be analysed from various points of view, using various techniques. It is possible, for example, to use macrostructural variables. In this case, the outcome is explained on the basis of variables in the context where the negotiation is carried out (Pruitt & Carnevale 1993). (2) Psychological variables can be used to interpret the result of negotiation in the light of the personal characteristics of the actors and of the psychodynamics that develop between them (Pruitt & Kim 2004). (3) In the strategic approach, strategic analysis does not ignore context-defined effects and limits on the negotiation process, nor the importance of the psychodynamic relationship established by the participants but it assumes that the outcome of negotiation will be primarily the result of strategic actions by the negotiators (Pruitt & Kim 2004). According to this approach, a negotiation process can only be reconstructed by starting from the actual choices made from the alternative strategies available by actors in specific situations (Pruitt & Kim 2004; Pruitt & Carnevale 1993). Thus, Cohen (2002, p. 23) defines that successful negotiation through both framework and the three way approaches are about making choices. However, first we need to decide whether negotiating is the best way to resolve the issues we are facing. Second, we then have to assess whether or not we are better off leaving an unpromising negotiation. These sorts of decisions depend on our assessment of the BATNA (best alternative to negotiated agreement) (Cohen 2002 p. 23). Watkins (2003 p. 28) suggests that knowing your BATNA means knowing what you will do, or what will happen if you fail to reach agreement. Thus, it is best not to enter negotiation without knowing your BATNA.

Furthermore, China is fast becoming the favourite market for Australian firms; however, past research shows that Australian managers are always faced with the complex task of guanxi during their negotiations in China (Fletcher & Brown 2005; Ghauri & Fang 2001). Match and Wu (2007, p. 127) note that Chinese managers consciously develop comprehensive guanxi in the belief that without them it is not possible to do business or negotiation in China. One of the best examples of this can be seen in the case of the McDonald’s fast food chain. According to Hill (2003, p. 88), after opening its first store
in China in 2001, McDonald’s was told that it would have to move, despite having a twenty-year lease (Hill 2003, p. 88). McDonald’s took the Beijing city government to court, but the court refused to enforce the lease. Observers noted that McDonald’s lacked the all-important guanxi that is critical for success in China (Hill 2003, p. 88). In brief, guanxi refers to personal connections; it links the family sphere to the business sphere (Hofstede 2001, p. 362). Leung and Wong (2001, p. 55) identified guanxi as special relationship and connection such as clanships, friendships, school mates, teachers and students exist among individuals.

Zhu, Mckenna and Sun (2007, p. 358) translated guanxi as ‘personal contacts’ and ‘personal connections’. However, having guanxi network of acquaintances is extremely important because ‘it can provide foreign firm with competitive advantage in negotiating within the complex human network in China, it cannot eliminate threat and competition’ (Leung and Wong 2001, p. 56). For example, Zhu, McKenna and Sun (2007, p. 358) believe that doing business in China is not just a matter of price and product. To achieve success, western negotiator must rely on good personal relationships (Zhu, McKenna & Sun 2007, p. 358). In other words, guanxi network is an evident consequence of relationship before task, but it also contributes to a long term orientation in Chinese society (Hofstede 2001, p. 362). Thus, in order to know your BATNA and understand the in-depth meaning of guanxi network, the discussion leads us to the research topic of ‘How can Australian managers build and manage a guanxi network, for negotiation purposes in China?’ Therefore, the next section of the Literature Review focuses on the issues of ‘cross-cultural negotiation’ and ‘negotiation in Australia and China’ as the two parent disciplines.

2.2 Parent Discipline 1: Cross-cultural negotiation

_Cross-cultural means dealing with two or more different cultures. Furthermore, cross-cultural negotiation, the parities are dealing with perceptions of the opposition; most managers take account into different culture and social values_
because the parties want to do the business together (Spoelstra & Pienaar 1996, p.49).

When searching for the literature that provides historical insights into the process of cross-cultural negotiation, one soon discovers that few studies are entirely devoted to the analysis of the process of cross-cultural negotiations. Several researchers have been more interested in the main issues under consideration and the substantive outcomes (Kremenyuk 2002, p. 137). This is highlighted in a classical case by Webster (1945), in the context of the preparatory work for the Paris conference in 1919 or by the work of Nicolson (1961). It is also seen in standard works such as The History of the Peace Conference of Paris prepared under the direction of Temperley in the years 1920 to 1924 (Kremenyuk 2002, p. 137). As Drukaman and Hopmann (1989), and Kremenyuk (2002, p. 143) state:

One of the trends today appears to view the outcomes of negotiations on international issues as being generally determined through the process itself, rather than being derived analytically from some clearly defined set of initial conditions such as how nations seek agreement operating within a complex international context (Drukaman & Hopmann 1989; Kremenyuk 2002, p. 143).

This indicates that negotiation is far more complex when negotiators face challenges in the modern era of globalisation. The word globalisation, aside from its world-wide concept, has another meaning: comprehensive (Salacuse 2003, p. 2). In other words, being a global negotiator means not only making business deals in Sydney one week and in Beijing the next, but also effectively handing whole business relationships from start to finish. It means having the skills to deal comprehensively with the entire transaction from the first hand shake with a potential foreign partner to the final liquidation of cross-cultural negotiation activities that have served their purpose and increased one’s business opportunities (Salacuse 2003 p.2).
For example, more and more managers increasingly engage themselves in cross-cultural negotiations, in order to pursue opportunities and have success in the global marketplace. Cross-cultural negotiations are one of the most challenging tasks in businesses (Gilsdort 1997), and managers may spend more than 50 percent of their time negotiating (Adler 1997). Salacuse (2003, p. 2) states that all international transactions are the product of a negotiation named as ‘the result of deal making’. For example, deal making in global negotiations requires managers to overcome many unfamiliar barriers due to differences in culture, law, ideology, monetary environment and so on. These barriers affect the pace of negotiations; negotiating strategies; degree of emphasis on personal relationships; emotional aspects; decision making; and contractual and administrative elements (Acuff 1997). The goal of the negotiator should be to look legitimately to the other side by their standards (Fisher, Ury & Bruce 1991). Therefore, at this stage, cross-cultural international negotiation is the means by which people deal with their differences in both micro and macro environments, as Fletcher and Brown point out:

An analysis of what makes negotiation overseas different from market domestically is an essential first step in the internationalization process of the firm and the purpose is to find out the differences and similarities in the host market in order to create future competitive advantage (Fletcher & Brown, 2005, p. 31).

And,

International negotiation means cross-cultural negotiation which is a special communication situation; the objective is often for people of different backgrounds to overcome the conflicting interests and to reach an agreement that is advantageous to both parties (Thomas & Inkson, 2003, p. 13).

In other words, to successfully reach a mutually satisfactory agreement, a negotiator is required to understand the behaviour of their bargaining partner, and the goals and motivations governing their behaviour (Rossignol 1999). Kremenyuk (2002, p.135) also notes that any cross-cultural negotiation comprises a range of interrelated dimensions that must be examined together to be properly understood, and these are:
• the substance of what is being negotiated and the outcome;
• the diachronic and synchronic environments in which the negotiation take place, taking into account other negotiations that have already taken place or are taking place simultaneously;
• the process of negotiation, its sequential phase, and the related organisational and procedural matters, including the interrelated negotiations that happen in parallel with the formal process; and
• the role of the negotiation.

Thus, cross-cultural negotiations can be grasped only if seen as whole, even if one might emphasise only one or the other of its aspects.

On the other hand, cross-cultural negotiation issues and processes are not only discussed in terms of the analysis on both micro and macro environment. Kremenyuk (2002, p. 140) argues that what also matters is a sensitivity to the different philosophies of history, such as the Marxist approach compared to the Engels approach (1953), and to the ways the other parties perceive their own past. In other words, an awareness of how the collective memory might shape the behaviour of the others at the negotiation table is required, and this implies a broad knowledge of the past (Kremeyuk 2002, p. 140). However, it presupposes much more an attitude of mind that is rooted in a sense of historical culture. This alone allows the negotiator to benefit from history; to throw proper light on what has happened, to permit a better deciphering of the present and to stimulate imagination on which policy to follow and which alternative options are available (Neustadt & May 1986). For this reason, Reynolds, Simintiras and Vlachous (2000) suggest that individual behaviour in negotiation is consistent within cultures and each culture has its own distinctive negotiation style due to their history. In other words, cross-cultural negotiations are where the negotiating parties belong to different cultures, and do not share the same ways of thinking, feeling and behaving (Calantone, Graham & Mintu-Wimsatt 1998). Moreover, Geert Hofstede (1993), a Dutch cross-cultural management researcher, developed a model for classifying national cultures and
analysing work behaviour according to five underlying dimensions: power distance, uncertainty avoidance, masculinity-feminine, individualism-collectivism and long-short term orientation (Table 6, p. 31).

Table 6: Hofstede’s Model of Cultural Dimensions

<table>
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<tr>
<th>Dimension</th>
<th>Description</th>
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<tr>
<td>Power Distance</td>
<td>Power distance is the extent to which hierarchical differences are accepted in society and articulated.</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>Uncertainty avoidance refers to the extent to which uncertainty and ambiguity are tolerated.</td>
</tr>
<tr>
<td>Masculinity-Feminine</td>
<td>Masculinity and Femininity describes the extent to which traditional masculinity values such as aggressiveness and assertiveness are emphasised.</td>
</tr>
<tr>
<td>Individualism-Collectivism</td>
<td>Individualism and collectivism are defined by the extent to which individuals’ behaviour are influenced and prescribed by others: individualists prefer self-sufficiency while collectivists give more recognition to their interdependent roles and their obligations to their groups.</td>
</tr>
<tr>
<td>Long/Short term orientation</td>
<td>Short/Long –term orientation refers to the willingness to postpone payback and satisfaction against wanting or needing quick returns and rewards.</td>
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Hofstede’s study (1993) shows that culture could be regarded as a collective programming of the mind which determines values, attitudes and behaviour. Accordingly, cultural differences have profound implications for negotiation and restrict the extent to which negotiation theories and practice can be generalised across national boundaries. For this reason, Hofstede (2001, pp. 435-436) also suggests the five dimensions can also affect negotiation processes in the following ways:

- Power distance affects the degree of centralisation of the control and decision-making structure, and the importance of the status of the negotiators.
Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process

- Uncertainty avoidance affects the (in)tolerance of ambiguity and (dis)trust in opponents who show unfamiliar behaviours and the need for structure and ritual in the negotiation procedures.
- Collectivism affects the need for stable relationship between (opposing) negotiators. In a collectivist culture replacement of a person means that a new relationship will have to be built and this takes time. Mediators (go betweens) have an important role in maintaining a viable pattern of relationships that allows negotiators to discuss problem content.
- Masculinity affects the need for ego-boosting behaviour and the sympathy for the strong on the part of negotiators and their superiors, and the tendency to resolve conflicts by a show of force. Feminine cultures are more likely to resolve conflicts through compromise and to strive for consensus.
- Long-term orientation affects the perseverance with which desired ends are pursued, even at the cost of sacrifices.

Cross-cultural negotiation means discussions of common and conflicting interests between persons of different cultural backgrounds who work to reach an agreement of mutual benefits (Chaney & Martin 2004, p. 196). However, in cross-cultural negotiations, the players may respect different rules as to the (1) nature of the control and decision making structure on either side, (2) reasons for trusting or distrusting the behaviour of the other side, (3) tolerance for ambiguity during the negotiation process, and (4) emotional needs of negotiators such as ego enhancement or ego effacement (Hofstede 2001, p 435). Therefore, it is important to find out the key differences and the main tactics within two or more parties in order to determine the best alternative to negotiated agreement. As concluded by Woo and Prud’homme (1999, p. 314), ‘History and cultural understanding are difficult and sometime painful to attain, however, the rewards can be also high.’

2.3 Parent Discipline 2: Negotiation in Australia and China

Firms are increasingly forming international partnerships as a response to globalisation (Stark, Fam, Waller & Tian 2005, p. 85). According to Zhu, Mckenna, and Sun (2007, p. 354) more and more countries are involved in negotiating with Chinese in international
business since the People’s Republic of China started its economic opening-up around the 1980s. Thus, negotiating with the Chinese is also becoming increasingly important for the success of international business in particular, since China joined the WTO in December 2001 (Zhu, Mckenna & Sun 2007, p. 354). It is anticipated that more frequent negotiations with the Chinese will take place as China is going through free trade negotiations with a number of western countries (Zhu, Mckenna & Sun 2007, p. 354). However, negotiation has been described as a ‘difficult and painful’ process and can present a major hurdle for foreign parties in their business relationships’ (Strange 1998, p. 21).

Cross-cultural negotiation will become more complicated if there are language barriers and differences in cultural values, customs, and business styles, (Stark, Fam, Waller & Tian 2005, p. 85). According to Fletcher and Brown (2005, p. 111), the ‘Australian’ view of a negotiation is fundamentally a process to get a deal, to build value, and to codify a contract, or a written or signed agreement. The Australian negotiation style focuses on relative bargaining power; the level of conflict underlying the negotiations; the extent to which the parties are likely to agree on key points and the desired outcome of the negotiation (Fletcher & Brown 2005, p. 111). As Buttery and Leung (1998) point out, this viewpoint sees ‘negotiations as a means for sorting out issues, problem solving and discussing business possibilities with people they don’t know in Australia’ (Buttery & Leung 1998, p. 11). Thus, the Australian conception of negotiation is that they are for problem solving, that everyone deserves the right to voice their opinions, and that people are relatively open to doing business with strangers.

In contrast, Chinese business executives commonly complain that the Western approach to negotiation is like signing an elaborate prenuptial agreement, a contract that could doom the relationship to failure before it starts (Chen 2001, p. 139). From the Chinese perspective, detailing a commitment in ink spells the death of the relationship, since it dissolves the need for continuing gestures of trust (Chen 2001, p. 139). All close relationships, from marriage to healthy business partnerships, evolve through an ongoing dialogue between the parties involved. Gesteland (2002, p. 19) points out that the Chinese
Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process

are relationship-focused, while the Australians are deal-focused in the business environment (Table 7, p. 34).

Table 7: Deal-focused and Relationship-focused Business Culture

<table>
<thead>
<tr>
<th>Deal-focused business behaviour:</th>
<th>Relationship-focused business behaviour:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Anglo cultures: UK, USA, Canada, Australia, and New Zealand</td>
<td>– Arab World, the Mediterranean region, most of Africa</td>
</tr>
<tr>
<td>– Northern Europe</td>
<td>– Most of Latin America</td>
</tr>
<tr>
<td>Moderately deal-focused:</td>
<td>– China, and most of Asia</td>
</tr>
<tr>
<td>– Latin Europe, Central and Eastern Europe</td>
<td></td>
</tr>
<tr>
<td>– Chile, southern Brazil, northern Mexico</td>
<td></td>
</tr>
<tr>
<td>– Hong Kong, Singapore</td>
<td></td>
</tr>
<tr>
<td>– South Africa</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gesteland 2002, p. 19

In general, relationship-focused people prefer to deal with family, friends, and people or groups well know to them (people who can be trusted). In contrast, deal-focused people are relatively open to doing business with strangers (Gesteland 2000, p. 19). The idea of long term and short term orientation was developed by Hofstede (1993), and it discusses the extent to which members of a society stress the need of thrift, perseverance and future directed actions. For this reason, Eastern cross-cultural researcher Li (2001, p. 54) states out there are some very basic differences between Australian and Chinese approaches to negotiation:

- *Honesty versus Deception:* Generally speaking, the Chinese believe that Australians are friendly, honest and trusting and they conduct business with a high level of integrity. However, they do not feel compelled to behave in a similar fashion. Deception and the exploitation of weaknesses are time-honoured
strategies in China’s business, military and political arenas.

- **Naivety versus Experience**: The Chinese believe that the lack of a sophisticated historical and cultural background has left Australians naïve. Their own turbulent 5,000 year history, the Chinese believe, has created hard-earned strength and shrewdness, and the ability to take advantage of another’s weaknesses.

- **Old-Fashioned Practices**: Chinese society is based on commonly held ethical codes and moral principles rather than on legislation. There are no systematised codes of business law, and enforcement of existing regulations is erratic. Businesses deals are often sealed with a handshake or the nod of a head.

- **Toeing the Party Line**: The communist party influences every aspect of China’s social and business realms. All business terms must be compatible with party politics.

- **Short Term versus Long Term**: Chinese find many Australians, lack the patience to build up long term business relationships, concentrating instead on immediate financial gain. The Chinese values long terms benefits and are willing to wait.

Furthermore, Blackmen (1997) points out that there are four main difficulties among Australian managers in negotiation with Chinese:

(1) *The method and manner by which the Chinese conduct the negotiation*. This includes negotiation norms, underlying motivations, attitudes, and expectations.
(2) *Surrounding environment which influences the business norms*. This includes the stage of economic development, power, bureaucracy, and government policies.
(3) *Cross-cultural complications which encompass the interpretation of behaviour, language, cultural expectation, and especially Confucian themes*
(4) *Ethical issues*. This includes bribery and corruption.

Consequently, Australian and Chinese people have very different views on negotiation. Perhaps equally important, is that each side knows little about the other side’s view of the negotiation. But if the two views are different and each side is ignorant of the principal
features of the other’s view of the negotiation, the problem is compounded (Stark et al., 2005, p. 87).

According to Ambler and Witzel (2004, p. 96) and Pye (1986, p. 74), the process of negotiation in China has developed over many years. Furthermore, negotiation relationships are more important in China than in many other Western countries because the central government plays a much more direct role in the economy. China is a one-party state, dominated by the Chinese Communist Party (CCP), which came to power in 1949, when it defeated the Nationalist Party (Australian Trade Commission 2007). The power of the state governments is decided by the central government in Beijing. Each state can only develop its own economy with the agreement of the central government.

China and Western countries also have greatly differing attitudes to the law, particularly in terms of its aims and purposes (Ambler & Witzel 2004, p. 96). In Australia, the rules of law identify what can or cannot be done by society, as well as rights or wrongs. In contrast, Chinese law is used in different ways and the rules of conduct are the ethics and standards of behaviour based on Confucian themes (Ambler & Witzel 2004, p. 97). According to Craig and Douglas (2005), Confucius (孔夫子) lived from 551-479 BC and ‘The analects, a composite work, is commonly considered the main and most reliable source of Confucius’s teachings’. Furthermore, Fang (2006, p. 52) notes that Chinese culture has been moulded by three philosophical traditions – Confucianism (Rujia - 儒家), Taoism (Daojiao - 道教), and Buddhism (Fojiao - 佛教). Briefly, Confucianism deals with human relationships, Taoism and Buddhism deals with people’s immortal world. From the Chinese perspective, Confucianism is considered a philosophy and provides the standards of behaviour in China (Fang 2006, p. 52). In contrast, Taoism and Buddhism are religions rather than philosophies. For example, Taoism was adopted as the Chinese religion in third century (Wikipedia 2008). Taoism emphasises various themes such as naturalness, vitality, peace, non-action, emptiness, detachment, and so on (Wikipedia 2008). The Yin Yang image is a Taoist philosophical principle of a good and an evil, a dark and a light, a female and a male aspect (Chu 1991, p. 176). Taoism is a religion which considers balancing the universe in harmony with peace (Chu 1991, p. 176).
Furthermore, Buddhism, which was ‘imported’ to China from India around the first century, especially the Buddhist doctrine of ‘reincarnation’, has enabled many Chinese to endure hardship, suffering and other vicissitudes in life and to look forward to a better life (Fang 2006, p. 52).

However, Fang (2006, p. 52) points that Chinese people are less concerned with religion than other people are. Furthermore, Confucianism is a form of moral ethics and a practical philosophy of a human relationships and conduct (Fang 2006, p. 52). It also includes six basic values: moral cultivation, importance of inter-personal relationships, family orientation, respect and hierarchy, avoidance of conflict and need for harmony, and concept for face (Hofstede and Bond, 1988). As (1999, p. 23) also states

*Confucian themes represent the historical and cultural roots of guanxi in China* (King 1999, p. 23).

Moreover, Confucianism is more concerned with righteousness and human-heatedness than profit (Zhu, McKenna and Sun 2007, p. 357). This explains why Chinese negotiators do not rush into formal contract discussion, but take considerable time to build up trust with their negotiation partner. Second, because Confucianism considers that business is governed more by moralistic notions of sincerity and trust, than by the legalistic concept of contract, Chinese business is mostly built on trust instead of law (Zhu, McKenna and Sun 2007, p. 357). Chinese negotiate a deal with their partners most effectively when there is enough trust between parties, and to western business people a verbal agreement with Chinese is as effective as a written contract (Zhu, McKenna and Sun 2007, p. 357)). Third, Confucianism advocates the relative importance of knowing others and the relative unimportance of being known (Zhu, McKenna and Sun 2007, p. 357). This is the reason why Chinese negotiators are so attentive to discern the interests and personalities of their negotiation partners and defensive about freely disseminating information about themselves (Zhu, McKenna and Sun 2007, p. 357). Thus, in this research, Taoism and Buddhism, the two biggest Chinese religions are less suitable to use compared to Confucianism.
As previously discussed, understanding the Confucian theme and guanxi is the best solution to successful negotiation with the Chinese because Chinese are hard bargainers and use the guanxi itself as one of the key tactics to win (Buttery & Leung 1998, p. 31). This indicated that the concept of guanxi is tacitly embedded within the Confucian philosophy and it subtly defines the Chinese moral code (Leung & Wong 2001, p. 55). For this reason, Selmer (1998), Lau (2000), Keller and Kronstedt (2005) point out that the theme of Confucian thought is to consider five key concepts: The related guanxi examples include:

1. **Li**: for example, guanxi issues in ritual, face and Chinese communication/negotiation style.
2. **Xiao**: for example, guanxi issues in status, power and hierarchical value in China.
3. **Ren**: for example, guanxi issues in reciprocal network and ethics in China.
4. **Junzi**: for example, guanxi issues in the concepts of flexibility, thrift, and harmony.
5. **Zhengming**: for example, guanxi issues in reality and opportunism.

These five themes of Confucian thought may be able to help Australian managers understand the guanxi network of Chinese negotiation style, in order to enhance both short and long term satisfaction in negotiation. The researcher has developed this idea into three levels of concepts in the section of immediate discipline. The purpose is to manage a range of information sources that might be used to address the research questions for section 2.5.
2.4 Immediate Discipline: Guanxi, Confucian theme, and strategy in Chinese negotiation

This section summarises the overview of central problems through three levels of concepts, and it includes Level 1: The notion of guanxi; Level 2: Factors impact on the negotiation environment; and Level 3: Guanxi as a negotiation strategy in China.

2.4.1 Level 1: The notion of guanxi

_In the west a successful businessperson is spoken of as wealthy, in the Chinese context he or she is describe as well guanxi connected_ (Chen 2001, p. 46).

According to Weber (1968), Chinese society is considered as social, normative society rather than an instrumental, pragmatic society. Chinese social relations are those typified by a reciprocal social network. Often social obligations within the network are characterised in familiar terms, and individual links within the social network are known as guanxi by the Chinese (Guanxi, 2006).

There are various definitions of guanxi. According to Ambler and Witzel (2000, p. 97), guanxi is usually translated simply as relationships or connections. March and Wu (2007, p. 127) point out that guanxi refers to mutual relationships that are built on favours and permit the parties to make almost unconditional requests of one another. Furthermore, Buder and Huang (2006, p. 6-7) note that trust (respect and knowledge of others), favour (loyalty and obligation), dependence (harmony and reciprocity, mutual benefit) and adaptation (patience and cultivation) are four basic principles in guanxi. Additionally, Chen (2001, p. 46) suggests that ‘shared experience’ is an important factor for guanxi. The strongest guanxi occurs with both immediate and extended family members, but guanxi relationships may also form among individuals who have shared deep and meaningful experiences, such as college classmates, teachers and students, old friends, former co-workers, and so on (Chen, 2001, p. 46). Thus, researcher has defined guanxi as the existence of direct particularistic between two or more individuals. So, if guanxi refers to inter-personal relationships only, then Australian managers may wish to avoid
guanxi. This is reiterated by many researchers who have pointed out the risks of conducting business by relying on personal relationships (Li & Wright 2000; Nooteboom, Berger & Noorderhaven 1997).

However, others believe that guanxi should also encompass relationships between organisations. For example, Peng (1997, p. 449) points out that guanxi is a relationship between two people or organisations containing implicit mutual obligation, assurances, and understanding, and it governs Chinese attitudes towards long-term social and business relationships. If guanxi therefore covers not only inter-personal, but also inter-organisational relationships, Australian managers may need to develop and maintain guanxi at the business organisation level (Li & Wright 2000).

In addition, for organisations, guanxi serves as a strategic tool, especially for those without strong government ties (Dunfee & Warren 2001, p. 192). Recent business publications applaud multinational corporations who skilfully use guanxi while entering the Chinese market (March & Wu 2007; Dunfee & Warren 2001; Ambler & Witzel 2000; Vanhonacker 1997). Some regard guanxi so highly that they advise organisations to consider guanxi strategy resource and recommend guanxi audits (Tsang 1998; Yadong 1997; Wall 1990).

There are minimal research evidences indicating that Australian managers understand the guanxi in China. According to Chen (2001):

"Guanxi has received a great deal of media attention in Australia, but there is no direct English translation for the word guanxi, a fact that has created much confusion over its precise meaning" (Chen 2001, p. 46).

Many Western managers have interpreted guanxi to mean ‘connections’ (Ambler & Witzel 2000), but more specifically – connections that are defined by the Chinese social value in reciprocity, mutual obligation and so on. Thus, Li and KaraKowsky (1995) note that in international business negotiations, those who paid more attention to the real
meaning of guanxi-building in their negotiations with China were more likely to receive long-term cooperation with the other party. Furthermore, March and Wu (2007, p. 127) also reported that: ‘If you have guanxi, you have no problems in negotiation; however, if you have no guanxi, then there are huge problems in negotiation’ (March & Wu 2007, p. 127). Thus, lacking guanxi connections brings about dire consequences. No one will help you, there will be no support system for you and you will be alone in China.

In spite of misunderstandings, guanxi has emerged as a critical factor in the success or failure that foreigner’s experience when doing business in China. In the reports shown above, the appeals to guanxi contacts have involved Chinese colleagues, employees and so on. However, this leads us to the question: are Australian managers are able to build guanxi relationships of their own? March and Wu (2007, p. 139) state a relationship without a certain amount of emotional feeling would be regarded as cold and businesslike. The Chinese tend to believe that foreign business managers do not understand the real meaning of guanxi, and, they do not understand the effect of guanxi in negotiations with the Chinese (March & Wu 2007, p. 140). On the other hand, Lewicki and Hiam (2006 p. 68) argue that the understanding of guanxi depends on how well the Chinese party is analysed. Although it may be difficult to obtain information on the Chinese party, researching the Chinese side is vital to planning a good strategy (Lewicki & Hiam 2006, p. 68). Therefore, Australian managers or negotiators should start to think about how to build up guanxi with the Chinese party, for this will affect all their ensuing moves as they design their negotiating plan.

2.4.2 Level 2: Factors impact on negotiation environment

Culture plays a most significant role in international negotiation. Culture can be a significant competitive advantage and it is not easily replicable (Taylor 2006, p. 32). As Kremenyuk (2002) points out: ‘Culture is considered a central issue in cross-cultural negotiations, and it is important to clarify connections between cultural and negotiating behaviour/styles’ (Kremenyuk 2002, p. 47).
Thus, the aim of level 2 is to identify and organise the Chinese cultural concepts (Confucian themes and guanxi) into the context of negotiation.

2.4.2.1 The Confucian themes ‘Li’: (Guanxi in ritual, face, communication/negotiation style)

*Li* (礼) means ritual, Confucius argues that under law, external authorities administer punishments for illegal actions, people therefore generally behave well without understanding reasons why they should; whereas with ritual, patterns of behaviour are internalised and exert their influence before actions are taken, so people behave properly because they fear shame and want to avoid losing ‘face’ (Wikipedia 2007). In general, face is an individual’s awareness about a public image formed in other’s minds (Hwang 1998 p. 21). According to Gesteland (2002, p. 36), China has a strong relationship-focused culture. The Chinese think that having face means that one has good connections within the community, which makes everything run smoothly. Face also represents giving respect and recognising the status and moral reputation of the Chinese negotiator in society, indeed enhancing this status by whatever way possible (Buttery & Leung 1998). On the other hand, it is important to protect one’s face and to give face to others.

According to Hofstede (2001, p. 230) losing face, in the sense of being humiliated, is an expression that penetrated into the English language from the Chinese; English has no equivalent for it. ‘Face is lost when the individual, either through his action or that of people closely related to him, fails to meet essential requirements placed upon him by virtue of the social position he occupies’ (Hofstede 2001, p. 230). Moreover Luk, Fullgrabe and Li (1993) note that losing face means one gets into trouble or feels embarrassed in certain circumstances. A person who displays anger inappropriately loses face because he/she acted childishly, and in doing so he/she has also caused the other party to lose face. Thus, in confrontational business situations, aggressive behaviour from either party can damage the face of the other party (Buttery & Leung 1998). As Chen (2001) also notes, loss of face could result in negative inter-personal and negative inter-organisational relationships in China.
The skill of giving face is critical to making a good impression. The Chinese believe that they look good – acquire face – as a result of having relationships with good people and being praised by others (March and Wu 2007, p. 24). As Hofstede (2001, p. 230) states:

*Face describes the proper relationship with one’s social environment, which is as essential to a person (and that person’s family) as the front part of his or her head. The important of face is the consequence of living in a society that is very conscious of social contexts in China* (Hofstede 2001, p. 230).

Furthermore, the Chinese do negotiation with a person, not an organisation. Thus, the Chinese believe that giving face is one of important key points for building up guanxi; furthermore, guanxi between organisations derives from guanxi between individuals. Chinese managers usually expect that every foreigner understands the face concept during the negotiation process.

Face also represents one’s self image and self respect, and these depend very much on how one is viewed by others and how they commutate with each other. According to Gesteland (2002, p. 38), Australia has a ‘low context culture’ with regards to communication, where meaning is contained in the words themselves and the negotiator is able to understand what they are saying at a business meeting without referring much to the context. Further, ‘Australian face’ focuses more on maintaining one’s own personal identity with less interest in helping others maintain their face, due to the individual profits in negotiation outcome.

On the other hand, Ting-Tommey (1988) points out that China has a high context culture because negotiators need to know the context surrounding the words in order to understand what is meant. Thus, face-work is used to present one’s self as an appropriate member of the social network, and people are expected to help to others maintain similarly appropriate face, in order to build up long term relationships. Some examples of constructs in low and high context communication cultures are shown in table 8 (p. 44).
Table 8: A Summary of Low-context (Australian) and High-context (Chinese) Negotiation Processes

<table>
<thead>
<tr>
<th>Key constructs of face negotiation</th>
<th>Low-context communication cultures (for example, Australia)</th>
<th>High-context communication cultures (for example, China)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity</td>
<td>Emphasis on I Self-face concern</td>
<td>Emphasis on We Other-face concerns</td>
</tr>
<tr>
<td>Concern</td>
<td>Autonomy, dissociation, negative-face need</td>
<td>Inclusion, association, positive-face need</td>
</tr>
<tr>
<td>Need</td>
<td>Controlling or confrontation and solution-oriented style</td>
<td>Obliging or avoidance and affective oriented need</td>
</tr>
<tr>
<td>Style</td>
<td>Distributive or competitive</td>
<td>Integrative or collaborativer</td>
</tr>
<tr>
<td>Strategy</td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Modes</td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Speech act</td>
<td>Direct emotional</td>
<td>Indirect emotional</td>
</tr>
<tr>
<td>Nov-verbal acts</td>
<td>Direct emotional</td>
<td></td>
</tr>
</tbody>
</table>

Source: Guirdman 2005, p. 99

In addition, according to Woo, Wilson and Liu (2001, p. 352), it is important to understand that Chinese people often use body language that can be incomprehensible to unfamiliar Westerners. Some Western body language can also be misunderstood by Chinese and cause ‘loss of face’. For example, laughing or smiling among Chinese can be confusing and means different things according to the negotiation situation (Woo et al. 2001, p. 352). Furthermore, March and Wu (2007, p. 32) note that the Chinese negotiation style encompasses listening rather than talking. In particular, it is highly recommended that other parties smile, do not interrupt, and show interest non-verbally. Therefore, an understanding of all these aspects of ‘giving face’ is critical to negotiators. It is also necessary to understand how low/high business communication differs across and within nations, in order to build up the long term guanxi network in China.
2.4.2.2 The Confucian Themes ‘Xiao’: (Guanxi in status, power and hierarchy)

*Xiao* (孝), in general, means the parents have more power than their children. Children must always listen to and respect their parents, due to filial piety. Filial piety is also built into the Chinese legal system: a criminal will be punished more harshly if the culprit has committed a crime against a parent. Fathers also exercise enormous power over their children. Much the same is true of other unequal relationships (Wikipedia 2007). As Ambler and Witzel (2000, p. 83) note:

*The respect for age was manifested especially in family life which had a profound effect upon other parts of social life and business culture in China* (Ambler & Witzel 2000, p. 83).

This suggests that the concept of xiao has a strong impact on the Chinese business environment today. For example, the top managers exercise enormous power over middle or lower level management. Similarly, lower grade workers do not typically question their managers or seek authority themselves, thus reinforcing their subordinates’ subservience and dependence on superiors (Ambler & Witzel 2000, p. 83). In other words, large power distance – ‘the less powerful members of institutions and organisations accept that power is distributed unequally’ (Hofstede & Bond 1984, p. 419). Authority in Chinese industry and business is viewed as an absolute right by the owners and the managers (Ambler & Witzel 2003, p. 83). Superior-subordinate relationships are typical as well as personal and subjective relationships. No two people are equal in relation to each other. Thus, the advice or ideas of lower/middle managers will generally not be accepted by Chinese senior managers, unless there is a strong guanxi network such as friendship between them.

Given these cultural differences, Hofstede (2003, p. 37) also notes that Australia is belong to small power distance society, inequalities among people should be minimised (Table 9, p. 46).
Table 9: Key Differences between Small and Large Power Distance Societies

<table>
<thead>
<tr>
<th>Small power distance – Australia</th>
<th>Large power distance – China</th>
</tr>
</thead>
<tbody>
<tr>
<td>There should be, and there is to some extent, interdependence between less and more powerful people</td>
<td>Less powerful people should be dependent on the more powerful; in practice, less powerful people are polarised between dependence and counter-dependence</td>
</tr>
<tr>
<td>Parents treat children as equals</td>
<td>Parents teach children obedience</td>
</tr>
<tr>
<td>Children treat parents as equals</td>
<td>Children treat parents with respect</td>
</tr>
<tr>
<td>Hierarchy in organisations means an inequality of roles, established for convenience</td>
<td>Hierarchy in organisations reflects the existential inequality between higher-ups and lower-downs</td>
</tr>
<tr>
<td>Decentralisation is popular</td>
<td>Centralisations is popular</td>
</tr>
<tr>
<td>Subordinates expects to be consulted</td>
<td>Subordinates expect to be told what to do</td>
</tr>
<tr>
<td>The ideal boss is a resourceful democrat</td>
<td>The ideal boss is a benevolent autocrat or good father</td>
</tr>
</tbody>
</table>

Source: Hofstede 2003, p. 37

As different culture have different attitudes to hierarchy and the distribution power, Australians often find it difficult to understand the formality of Chinese managers. In Australia, negotiations resolved by power are sometimes based on who is able to ‘coerce’ who in a business deal. However, it is more often, about imposing other types of costs – economic pressures, expertise, and so on.

Furthermore, the Australian casualness does not play well in China, for example where the Confucian values of obedience and deference to one’s superiors remain strong.
Another example of differences is illustrated by the fact that in Australia it is very common to send a young representative (for training) to a high level negotiation. In contrast, in China, senior managers will feel angry if young managers with an unequal position are in negotiation with them, because this is disrespectful. A positive example of the understanding of this theme that has been shown to ‘work wonders’ in China, when GM (General Motors) was courting Shanghai Auto in 1995. CEO John F. Smith made three trips to Beijing to meet with Chinese top-level managers and this resulted in the second largest auto-industry in China today (Graham & Lam 2004, p. 43). Australian managers need to be aware of this kind of social status in the Chinese negotiation culture in order to improve their success.

Therefore, there are differences in understanding status between Australians and Chinese in negotiation. As Gesteland (2002, p. 45) notes

> Chinese business cultures tend to be in steep hierarchies that reflect major differences in status and power, this is called formal business culture. Whereas, Australia is an informal business culture, it means businesses value more egalitarian organisations with smaller differences in status and power (Gesteland 2000, p. 45).

Further, Lweicki, Barry and Saunders points out that ‘negotiation power is often influenced by social norms in China, such as reciprocity, equity, dependence’ (2007, p. 154). For these reasons, Chinese managers from a formal, hierarchical, culture may be offended by the easy familiarity of Australian counterparts from informal, relatively egalitarian culture. In order to maintain social harmony, Australians should understand and abide by the requirements of their role in the relationship network in China.

2.4.2.3 The Confucian Themes ‘Ren’: (Guanxi in reciprocal network and ethics)

Ren (仁) means ‘humanness’. Ren is probably best expressed in the Confucian version of the ethics of reciprocity (Wikipedia 2007). In Australia, negotiation on payback is conducted mainly based on the common interest to achieve desired outcome and
satisfaction is fulfilled when the desired outcome is achieved named short term orientation (Hofstede 2001). In contrast, China, negotiation tends towards reciprocal network and guanxi achievements named long term orientation (Buderi & Huang 2006). The reciprocal offerings of gifts and favours, creates mutual indebtedness in human relationships that continues indefinitely and becomes a basis for guanxi (Chen 2001, p. 49).

According to Lee, Pae, and Wong (2001), in China the reciprocal exchange of favours, based on mutual obligation, will provide exchange partners with a high degree of satisfaction with the relationship. This kind of reciprocal behaviour is called renqing (人情). For example, if you do me a favour, then I owe you something. Thus, renqing is often used in terms of repayment of debt in kind, and not the immediate returning of one favour with another. However, Pye (1986) also points out that guanxi is not about getting through one negotiation; instead, it is about building up a life-long relationship. If necessary, guanxi may involve the constant giving without obtaining a favour in return or vice versa, provided there is enough trust in the relationship to know that when a reasonable favour is asked, it is given (Buttery & Leung 1998, p. 382).

Furthermore, guanxi implies the reciprocal granting of favours but not in any tit-for-tat sense. For example, these are not bank accounts; it is just a responsibility so that when a favour is accepted, the favour will be returned when it is needed (Ambler & Witzel 2000, p. 124). According to March and Wu (2007), the exchange of favours is not the same as bribery, because guanxi is relation-focused whereas bribery is transaction-focused, and the relational ethic of guanxi implies that it cannot be bought. Moreover: ‘It is important to make a distinction between guanxi and bribery; the central difference is that guanxi means relationship-building, while bribery is simple an illicit transaction.’ (Lovett, Simmons & Kali 1999, p. 234)

Bribery is regarded as a violation of duty, thus the act of bribery should be made clear to avoid ambiguity (D’Souza 2003, p. 31). Dunfee, Craig and William (1999, p. 25) define bribery as one person (briber) providing an inducement to another person (a bribe) that is
intended to be exchange for doing, or not doing, something that would favour the briber and be contrary to the bribee’s positional duty. On the other hand, Vanhonacker (2004, p. 49) argues that a guanxi relationship is sometimes perceived as leading to unethical behaviour, because some people are used to hide a corrupt practice. For example, one of Unilever’s purchasing agents had extremely good relationships with a few suppliers; only recently did Unilever discover that this purchasing agent was also supplying manufacturers that were illegally copying Unilever products (Vanhonacker 2004, p. 49).

In the mind of some Australians, ‘relationship’ refers to the way in which two people or groups behave towards each other or deals with each other, and connection is something that connects two facts, ideas, etc (Ramson 1988; University of Oxford 2005). For this reason, guanxi appears to resemble nepotism (for example, favouring friends and family) (Yeung & Tung 1996, p. 57; Provis 2004, p. 3). The concern for another (with whom one has a relationship) may manifest itself through favours of various sorts, from the protection or promotion of the individual in an organisation, to the provision of information that allows insider trading (Provis 2004, p. 3).

Dunfee and Warren (2001, p. 1999) argue for a particularistic account of guanxi which sees ethical justification for guanxi where it may ‘facilitate efficient exchange’. Some literature shows that consideration of efficiency reflects the possible justification of guanxi-based behaviour, on the basis of transaction costs analysis and corruption (Lovett et al 1999; Standifird & Marshall 2000). Corruption is one of the major issues in China. Since China’s economic reform in 1978 (Wikipedia 2007), and the nearly 10.5 to 11 percent economic growth rate (Central Intelligence Agency 2007), it has become one of the biggest problems facing the Chinese economy and has deeply distressed many ordinary Chinese. The Chinese term for corruption (zou hou men - 走后门), or ‘going through the back door’ can be applied to relatively innocuous practices such as giving money for a third party, or a business partner (Ambler and Witzel 2000, p. 125). According to Ambler and Witzel (2000, p. 126), many business people or negotiators think that corruption is acceptable and is a necessary part of doing business in China, or at least getting started in business. The reason is that from a transaction-cost perspective, guanxi-based business practices offer certain advantages, such as time saving, over
existing structural alternatives in building up the friendship or trust (Standifird & Marshall, 2000, p. 40). Further, Ambler and Witzel (2000, p. 126) also point out that ‘bribery and corruption are expensive, it tends to damage reputations, and leads to pseudo-guanxi with the wrong people in negotiation’ (Ambler & Witzel 2000, p. 126).

Moreover, Lovett, Simmons and Kali (1999) state: ‘Asia has undergone great change, but the emphasis in modern China societies is still on relationships. Loyalties and obligations to individuals make the system work.’ (Lovett et al. 1999, p. 235). Although, many people think that there is a significant connection between corruption and guanxi, this is not so. Therefore, it is very important for Australian managers to distinguish between legitimate and illegitimate reciprocal activities in order to build up the right guanxi network in China.

2.4.2.4 The Confucian Themes ‘Junzi’ (Guanxi in flexibility, thrift, and harmony)

*Junzi* (君子) refers to a person who can give positive feeling. Western nations may call this person a ‘gentleman’. Chinese think that the great exemplar of the perfect gentleman is Confucius himself (Wikipedia 2007). Perhaps the greatest tragedy of his life was that he was never awarded the high official position which he deserved, from which he wished to demonstrate the general well-being that would ensue if humane people ruled and administered the state (Wikipedia 2007). However, being a Confucian gentleman, the Chinese negotiator behaves on the basis of mutual trust and benefit, seeking cooperation and ‘win-win’ solutions for everybody to succeed (Fang 2006, p. 54). Furthermore, this kind of behaviour can be linked to three negotiation behaviours in China today: (1) the perception of flexibility, (2) the concept of thrift (*jiejian* - 节俭) and (3) the interpersonal harmony in China.

Firstly, considering the perceptions of flexibility, these may vary considerably between cultures. According to Reynolds, Siminitras and Vlachous (2003) flexibility is essential to successful negotiations; flexibility allows the negotiators to reconcile their interests in an integrative as opposed to a distributive manner. In China, negotiation culture tolerates ambiguity and prefers higher flexibility in rules (Guirdham 2005, p.50). In contrast,
Australian negotiation style prefers clarity and set procedures to contain the uncertainty (Guirdham 2005, p.50). In other words, Chinese negotiation culture can be characterised as low uncertainty avoidance whereas Australian negotiation culture as high uncertainty avoidance. For example, time is probably one of the most underrated variables in the perception of flexibility. There could be different time horizons/perspectives between negotiating parties, as presented in table 10 (p. 51).

Table 10: Contrasting Perspectives of Time

<table>
<thead>
<tr>
<th>Chinese perspective of time</th>
<th>Western perspective of time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circular</td>
<td>Linear</td>
</tr>
<tr>
<td>Correlation and coexistence</td>
<td>Causality</td>
</tr>
<tr>
<td>Process-oriented</td>
<td>Deadline-oriented</td>
</tr>
<tr>
<td>Go with flow history and traditions</td>
<td>Future-oriented</td>
</tr>
</tbody>
</table>

Source: Chen 2001, p. 94

As Gesteland (2002, p. 57) notes, negotiators often face deadline pressures in Australia; furthermore, ‘time is money’ is the social value in many Australian minds. Australians therefore have a monochromic business culture. In contrast, Chinese always say: ‘Be relaxed about time and scheduling, focusing instead on the people around us’, and ‘Even Confucius has spent his whole life by archiving the things he wants’. Furthermore, Confucian’s negotiation strategy is characterised basically by build up trust and then seeking cooperation (Fang 2006, p. 54). Thus, the Chinese are much less concerned with the constraints of time. The Chinese business culture is thus polychromic, as it values loose scheduling, as well as business meetings where several meetings-within-meetings may be taking place simultaneously (Gesteland 2002, p. 57). Therefore, it is important to understand that Chinese managers are less concerned with strict punctuality and they are not obsessed with deadlines.

Secondly, considering the concept of thrift, China has made great economic progress during the last two decades. Its rank in world trade rose from 32nd position in 1987, to 6th position in 2002. By the end of 2000, China was the recipient of more than 20 percent of
the total foreign direct investment (FDI) in developing countries and more than five percent of the total FDI in the world (Ghauri & Fang 2001). Furthermore, Australia was ranked 9th amongst China’s top import suppliers and the top 14th export supplier during 2005 (Table 11, p. 52). This represents an important partnership between Australian and Chinese industries in the twenty-first century.

Table 11: Australia’s Trade Relationship with China

<table>
<thead>
<tr>
<th>Australian merchandise trade with China, 2005-06:</th>
<th>Total share:</th>
<th>Rank:</th>
<th>Growth (yoy):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to China (A$mn):</td>
<td>18,093</td>
<td>11.9%</td>
<td>2nd</td>
</tr>
<tr>
<td>Imports from China (A$mn):</td>
<td>23,222</td>
<td>13.8%</td>
<td>1st</td>
</tr>
<tr>
<td>Total trade (exports + imports) (A$mn):</td>
<td>41,315</td>
<td>12.9%</td>
<td>2nd</td>
</tr>
</tbody>
</table>

| Major Australian merch. exports, 2005-06* (A$mn): |
| Iron ore                                         | 6,763       |
| Wool                                            | 1,310       |
| Copper ores                                      | 990         |
| Lead, manganese and other ores                  | 723         |

| Major Australian merch. imports, 2005-06 (A$mn): |
| Clothing                                        | 3,236       |
| Computers                                       | 2,479       |
| Telecommunications equipment                    | 1,289       |
| Toys, games & sporting goods                    | 1,202       |

*Includes $2,677m of confidential items, mainly alumina, wheat & sugar, 16% of total exports

<table>
<thead>
<tr>
<th>Australia's trade in services with China, 2005-06:</th>
<th>Total share:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of services to China (A$mn):</td>
<td>3,212</td>
</tr>
<tr>
<td>Imports of services from China (A$mn):</td>
<td>1,122</td>
</tr>
</tbody>
</table>

| Major Australian service exports, 2005-06 (A$mn): |
| Education-related travel                           | 2,249        |
| Personal travel excl. education                    | 368          |

| Major Australian service imports, 2005-06 (A$mn): |
| Transportation                                    | 379          |
| Personal travel excl. education                   | 340          |

| China’s global merchandise trade relationships: |

<table>
<thead>
<tr>
<th>China's principal export destinations, 2005:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 United States</td>
</tr>
<tr>
<td>2 Hong Kong</td>
</tr>
<tr>
<td>3 Japan</td>
</tr>
<tr>
<td>4 Australia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>China's principal import sources, 2005:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Japan</td>
</tr>
<tr>
<td>2 Republic of Korea</td>
</tr>
<tr>
<td>3 Taiwan</td>
</tr>
<tr>
<td>4 Australia</td>
</tr>
</tbody>
</table>

Source: Australian Trade Commission 2007

However, China’s long history of economic instability and its culture have taught Chinese to save their money. This can be considered positive behaviour. According to Graham and Lam (2004, p. 47), the focus on cost saving in business negotiations, results in a lot of bargaining over price, usually through haggling. Chinese negotiators will pad their offers with more room to manoeuvre than most Australians are used to, and they will make concessions on price with reluctance and only after lengthy discussions (Graham & Lam 2004, p. 47). Cohen (2002, p. 130) notes that whether a person’s negotiation style comes from their cultural background, training or personal experience, it
is important to recognise elements that are likely to obstruct the process. Furthermore, Levinson, Smith and Wilson (1999, p. 153) state:

*In a negotiation, your counterpart may try to use your competitor’s lower prices to extract pricing concession from you. They want your quality, your reputation, your delivery, your support, your guarantee, and your terms, but at the competitor’s price. They’ll compare your competitor’s apples to your apple pie, and ask for the apple price* (Levinson, Smith & Wilson 1999, p. 153).

As negotiation always incurs costs for example, time, research, lawyers, travel and so on, higher pricing is the only element to offset these costs. Thus, it is important for Australian managers to understand the Chinese way of bargaining in negotiation and the way of satisfying the negotiation outcome in order to reach double win position for both parties.

Finally, the Chinese harmony value was formed by its long history as an agricultural economy and characterised by a high population with limited resources. In order to distribute resources among members of a family, a family leader (in general, the father) needed to emphasise the value of harmony and then equally distribute the resources to the family members (LaBarre 1945). Chinese believe that: ‘everything will be accomplished smoothly in a harmonious family’. Furthermore, Confucius advocated that inter-personal harmony should also be treasured as the highest value within a family, just as it is essential to the smooth functioning of a system at any other level (Hwang 1987, p. 22). In today’s negotiation environment, the Chinese think that everything will be accomplished with inter-personal harmony. They always say, ‘A man without a smile should not open a shop’ and ‘Sweet temper with friendliness produce guanxi and money’ (Graham & Lam 2004). These beliefs speak volumes about the importance of harmonious relations between business partners. The ideology is also support by Kaye and Talyor (1997, p. 497), and Hofstede (1991, p. 502) the individual and collectivism dimension characterises Chinese culture as collectivist, where there is a tight social framework in which people seek fulfilment and happiness in the harmony of the group.
Furthermore, some Chinese managers think that Australian managers focus on individual performance and accomplishment rather than inter-personal harmony and also ignore the importance of emotional factors in negotiation. On the other hand, Lewicki, Barry and Saunders (2007, p. 129-131) argue that Western managers do understand the important of emotion, and furthermore give some specific results from previous research as follows:

- **Positive emotions generally have positive consequences for negotiation:** positive feelings are more likely to lead the parties toward more integrative process, create positive attitudes toward the other parties, and promote persistence.
- **Aspects of negotiation process can lead to positive emotions:** Positive feelings result from fair procedures during negotiation, and favourable social comparisons.
- **Negative emotion generally have negative consequences for negotiations:** Negative emotions may lead parties to define the situation as competitive or distributive, undermine a negotiator’s ability to analyse the situation accurately, affects individual outcomes, lead parties to escalate the conflict, and it may lead parties to retaliate and may thwart integrative outcomes.
- **Aspects of the negotiation process can lead to negative emotions:** Negative emotions may result from a competitive market or from impasse.

Thus, this gap also leads us to the issue of whether or not Australians understand the Chinese perception of harmony in negotiation. Additionally, most of the Chinese fathers need to emphasise the value of harmony in China. According to Hofstede (1991), China is a more masculine society where the social roles of women and men are clearly differentiated. Women are mostly in charge of the housework while men compete in the public sphere. In contrast, Australia is a society where gender roles can much less differentiated than that in China. Both women and men can take part equally in the public sphere, if they possess the required skills and knowledge. Thus, this cultural difference between Australians and Chinese may easily cause conflicts. In a masculine society, organisations may interfere with people’s private lives to protect their own interests, for
example Chinese managers doing business with Australians may ask about their Australian business partners’ private lives while the Australian partners may feel offended by such behaviour.

2.4.2.5 The Confucian Themes ‘Zhengming’: (Guanxi in reality and opportunism)

Zhengming (正名) refers to facts, true and actual (nothing is incorrect) in the past (Lau 2000). The Chinese word zhengming is also strongly related to the concept of reality and opportunism in China business today (Lau 2000).

In the past, due to the poor technology and infrastructure in China, people gathered new information or messages via third parties. The relationships and connections (guanxi) were particularly important in gaining information for purposes such as war, or business. However, if varied information was available, whose information did people trust? Negotiation scholars suggest that information exchange is a primary motivation for social relations in China (Monge 1977; McGee 1990; Hammond & Gleen, 2004). Luo (2000) notes that guanxi is a form of social relationships; furthermore, guanxi is transferable because if one has guanxi with person X, and X is friend of Y, then X can recommend one to Y. However, today Chinese identify two kinds of social relations in guanxi, namely the insiders (zi ji ren - 自家人) and the outsiders (wan ren - 外人). Insiders refer to family, colleagues, and classmates because they are offered high degree of automatic trust (Chen 2001). In contrast, outsiders refer to the person/people whom are from another state in China, or from other countries. It is important for Australian managers to understand their roles as outsiders. The reason is that outsider relationships are sometimes viewed as unstable by some Chinese (Chu & Ju 1993). Thus, since relationship play a major role in Chinese business environments, it is necessary for any outsider to enhance the ‘guanxi’ more than an insider.

Opportunism is defined as self-interest seeking with guile (Williamson 1975; Lee, Pae & Wong, 2001). Examples of opportunistic behaviours include misrepresentation, manipulation, cheating, and deception (Lee et al. 2001; Anderson 1998; John 1984). The essence of opportunism is the element of deceit, and thus self-interest seeking with guile
is not opportunism (Williamson 1978; Provan & Skinner, 1989; Lee et al., 2001). In Australia, managers are more likely to behave opportunistically in negotiation processes (Williamson 1978; Provan & Skinner 1989). In contrast, Chinese managers do not behave opportunistically due to the concept of guanxi which is defined as a network of relationships built through the exchange of gifts, favours and so on, as discussed above (Chen 2001). Thus, Australian and Chinese managers have different perceptions of the ‘right’ human behaviour.

2.4.3 Level 3: Guanxi as negotiation strategy in China

The importance of guanxi in Chinese negotiation has been repeatedly mentioned by researchers. Guanxi is believed to be a striking feature that helps to win the negotiation in Chinese market (Wong 2007). However, negotiating with Chinese can be very challenging and Chinese have been sometimes recognised as some of the toughest negotiators in the world (Zhu, Mckenna & Sun 2007, p. 354). For this reason, many Western scholars suggest that negotiators approaching discussions with the Chinese would do well to consider the perspectives on relationship (guanxi) building (Lewicki, Barry & Saunders 2007, p. 93). For example, Sheppard and Tuchinsky (1996, p. 140) note that:

- Negotiating within a relationship takes place over time.
- Negotiation is often not a way to discuss an issue, but a way to learn more about the other party and increase interdependence.
- Resolution of simple distributive issues has implications for the future.
- Distributive issues within relationship negotiations can be emotionally hot.
- Negotiating within relationships may never end.
- In many negotiations, the other person’s behaviour is the focal problem.
- In some negotiations, relationship preservation is the overarching negotiation goal, and parties may make concessions on substantive issues to preserve or enhance the relationship.
Thus, when negotiating is in the context of an important relationship, relationship issues could dramatically change the approach to negotiation strategy and tactics.

Further, the Chinese believe that people should be viewed in the context of their large social groups through relationships and connections (guanxi) rather than as isolated individuals. Guanxi is a continuous process and it can aid a distinctive strategic positioning in China’s competitive environment, and thus it can become an important ingredient in negotiation strategy (Vanhonacker 2004, p. 49). Tsang (1998) notes that guanxi in China is a kind of social capital and just like other capital, could increase competitiveness of the firm in the furiously competitive market. Davies Leung, Luk and Wong (1995) state that guanxi could give a firm more opportunities, or more access to scarce resources, from good relationships with China’s government. For example, General Motors (GM) ranks as the second foreign automaker with 10 percent of market share, by fostering trust with China’s government and providing job opportunities for local people (Keller et al. 2005, p.62). This represents an important example of the relationship between successful business and guanxi in China.

However, guanxi requires a careful strategy and implementation plan of its own that needs to be aligned with the firm’s business strategy and like any assets, it must be managed to make sure it does not become a liability (Vanhonacker 2004, p. 49). For example, the former party secretary of Beijing city, Chen Xitong (陈希同), was convicted of corruption charges in 1995 (Leung & Wong 2001, p. 56). As a result, any individual or company that has excellent guanxi with Chen and his associate lost their investments (Leung & Wong 2001, p. 56). Thus, as guanxi plays an important role in China’s business environment, a good understanding of guanxi is crucial for Australian managers intending to have successful negotiations with China.

According to Wood et al. (2004, p.69), Western managers generally face the challenge of a culture shock in guanxi when in negotiation with Chinese. In general, culture shock refers to the feeling of frustration and confusion resulting from the continuing challenge of living in an unfamiliar environment (Wood et al. 2004, p. 69). In other words, this
shock is a stress reaction when salient physiological and physical rewards are generally uncertain and difficult to control and predict (Kate & Taylor 1997, p. 498). However, Buttery and Wong (1999, p. 149) note that to build one’s guanxi requires one to overcome the feeling of defensiveness towards strangers and then build commitment to the newly formed relationship. Furthermore, guanxi is a particularly emotional component, it is considered to be important in the context of impersonal business dealing with a weak legal and regulatory environment (Xin & Pearce 1996; Wood et al. 2002, p. 264). As Gestland (2002, p. 115) states, the first culture shock for Western managers trying to get start in China, is guanxi way of conducting negotiations. Thus, if Australian managers fail to adjust or manage the culture shock, their performance may continue to deteriorate, especially if the business venture is highly reliant on guanxi, rather than the law in China.

However, according to Koch and Sipila (2004) China’s government is trying to develop a better legal framework and infrastructure and as some of the structural conditions for a relation-based society disappear, guanxi could become less important. On the other hand, many researchers argued that cultural heritage will remain; we only have to look at Hong Kong, Macau, Taiwan and Singapore to see guanxi survive in modern, rule-of-law Chinese societies (Lewicki et al. 2007; Dietmeyer 2004; Cohen 2002; Maddux 1995). Therefore, guanxi relationships will always be the most important ingredient of negotiation in China.

2.5 Conceptual Framework and Research Questions of this Study

Previous literature shows that guanxi can be used as one of the important strategies for negotiation in China, for a long time. For successful negotiation in China, it is necessary to cultivate close, personal relationships with business associates and earn their respect. The Chinese put considerable effort into constructing guanxi themselves, and expect other foreigners to do so, especially in negotiation. Furthermore, guanxi can aid a distinctive strategic positioning in China’s competitive environment. Thus, a conceptual framework has been developed which outlines a method of studying and analysis guanxi networks for both Australian and Chinese managers during the negotiations process. How
to build and manage guanxi networks would be beyond the scope of this Doctoral Thesis. This model is demonstrated in table 12 (p. 59) and the following discussion focuses on its layers.

Table 12: Conceptual Framework of this Study

<table>
<thead>
<tr>
<th>Level 1: The Notion of Guanxi</th>
<th>Level 2: Factors impact on Negotiation Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Inter-personal relationship, for example, trust (respect and knowledge of other), favour (loyalty and obligation), dependence (harmony and reciprocity, mutual benefit), adaptation (patience and cultivation) and experience (friendship).</td>
<td>- Political and legal factors</td>
</tr>
<tr>
<td>- Inter-organisations relationship for example, mutual obligation, assurances, and governing Chinese attitudes.</td>
<td>- Relationship-focus V.S. Deal -focus business culture.</td>
</tr>
<tr>
<td></td>
<td>- Low vs. high context culture in communication and negotiation.</td>
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<td></td>
<td>- Face-given.</td>
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<td></td>
<td>- Informal V.S. formal business culture.</td>
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<tr>
<td></td>
<td>- Power distance</td>
</tr>
<tr>
<td></td>
<td>- Business culture in status, power and hierarchy</td>
</tr>
<tr>
<td>Confucian themes ‘Xiao’: (Guanxi in Status, Power and Hierarchy)</td>
<td>The Confucian themes ‘Ren’: (Guanxi in Reciprocal network and Ethics)</td>
</tr>
<tr>
<td></td>
<td>- The concept of renqing and reciprocal network</td>
</tr>
<tr>
<td></td>
<td>- Short/Long –term Orientation</td>
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<tr>
<td></td>
<td>- Bribery and corruption</td>
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<tr>
<td></td>
<td>- legitimate and illegitimate reciprocal activities</td>
</tr>
<tr>
<td>The Confucian themes ‘Ren’: (Guanxi in Reciprocal network and Ethics)</td>
<td>The Confucian themes ‘Junzi’ (Guanxi in Flexibility, Thrift, and Harmony)</td>
</tr>
<tr>
<td></td>
<td>- Economic factors</td>
</tr>
<tr>
<td></td>
<td>- Uncertainty avoidance</td>
</tr>
<tr>
<td></td>
<td>- Business culture in time</td>
</tr>
</tbody>
</table>
### Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process

| The Confucian themes | - The concept of jiejain (thrift)
| - Chinese harmony value
| - Individualism and collectivism
| - Masculinity and Femininity
| ‘Zhengming’ (Guanxi in Reality and Opportunism) | - The role of insider and outsider in guanxi network
| - Self-interest seeking V.S. group-interest seeking
| **Level 3:** Guanxi as Negotiation Strategy in China | - Strategic negotiation for Australian managers in China
| | - Implementation plan

**Source:** Developed for this study

As discussed in section 2.4.1 (level 1), several authors have defined guanxi as the existences of direct particularistic between two or more individuals, or as a named interpersonal relationship (Ambler & Witzel 2000; Chen 2001, p. 46 and p. 97; Buderi & Huang 2006, p. 6-7). However, if guanxi refers to inter-personal relationships only, then Australian managers may wish to avoid guanxi. Other researchers noted that that the real guanxi includes both inter-personal and inter-organisational relationships such as mutual obligation, assurances, and so on (Vanhonacker 2004; Ambler & Witzel 2000; Dunfee & Warren 2001; March & Wu 2007).

It should be noted that the factors mentioned in the above table would ultimately lead to identification of a set of Critical Success Factor (CSF) for guanxi networks and processes. Further, these success factors should be driven from the strategies plans of those companies engaged in or using guanxi negotiation. It should be noted that the while these success factors may be difficult to identify they could be highly related to the success of guanxi negotiations in China. Further, Hong (2001) presented a methodology for assessing the successful implementation of KBS technology in the banking industry. His findings identified eleven Critical Success Factor (CSF) including management support, organisational issues and value management. Hong has also shown that
organisational issues and value management are positively related to knowledge management activities. In other words, guanxi knowledge processes might also be related to other organisational processes.

However, studying the guanxi CSF is beyond the scope of this thesis. See section 5.5.4 (p. 161) for proposed future research on CSFs for guanxi networks and processes.

Furthermore, guanxi has received a great deal of media attention in Australia, but there is no direct English translation for the word guanxi, a fact that has created much confusion over its precise meaning (Chen 2001, p. 46). The Chinese tend to believe that foreign business managers do not understand the real meaning of guanxi and they do not understand the affect of guanxi in negotiation with the Chinese (March & Wu 2007, p. 140). Conversely, Lewicki and Hiam (2006 p. 68) argue that an understanding of guanxi depends on how well one analyses the Chinese party. These gaps lead to the first research question:

**RQ 1: How do Australian managers and Chinese managers differ in their perception of guanxi?**

Next, as discussed in section 2.4.2 (level 2), many scholars understand the Chinese culture in both Confucian themes and ‘Guanxi’ is the best solution to a successful negotiation with the Chinese, because Chinese are hard bargainers and use the guanxi itself as the one of the main tactic to win (Buttery & Leung 1998; Wong & Tam 2000; Wood et al. 2002; Szeto, Wright & Cheng 2006). Furthermore, the analysis of section 2.4.2.1 - 2.4.2.5 has helped the researcher to identify the following gaps:

1. **Li.** China has a strong relationship-focus culture; Chinese think that having face means that one has good connections within the community, which makes everything run smoothly (Buttery & Leung 1998; March & Wu 2007, p. 24). In contrast, Australian face-work focuses more on maintaining one’s own personal identity with less interest in helping others maintain their face due to the individual profits in the negotiation outcome (Gesteland 2002, p. 38).
Chinese business cultures tend to be in steep hierarchies that reflect major differences in status and power and so are called formal business cultures (Gesteland 2000, p. 45; Lewicki et al. 2007, p. 154). In contrast, Australia has an informal business culture, it means businesses value more egalitarian organisations with smaller differences in status and power (Gesteland 2000, p. 45).

- **Ren**, in China, human relationships through reciprocal offerings of gifts and favours, creating mutual indebtedness that continues indefinitely and becomes a basis for guanxi (Chen 2001, p. 49). However, guanxi relationships sometime give the perception of unethical behaviour because some people are often used to hide corrupt practice (Vanhonacker 2004, p. 49).

- **Junzi**, in China, Chinese negotiators will pad their offers with more room to manoeuvre than most Australians are used to, and they will make concessions on price with reluctance and only after lengthy discussion due to the harmony value (Graham & Lam 2004, p. 47). In contrast, in Australia negotiators often face the pressure of deadlines; furthermore, ‘time is money’ is the social value in Australian’s minds and this provides a monochromic business culture (Gesteland 2002, p. 57).

- **Zhengming**, the Literature Review shows that it is important for Australian manager to understand their roles as outsiders. The reason is that outsider relationships are view as unstable by some Chinese (Chu & Ju 1993). Furthermore, many scholars note that Chinese managers do not behave opportunistically due to the concept of guanxi in negotiation. In contrast, Australia managers are more likely to behave opportunistically in negotiation processes (Klein, Crawford & Achian 1978; Williamson 1985; Provan & Skinner 1989).

Thus, based on the information above, the researcher has developed the second research question:

**RQ2:** How does guanxi affect the negotiations of Australian and Chinese managers, in the business environment?
Finally, as discussed in section 2.4.3 (level 3), guanxi in China is a kind of social capital and just like other capitals, can increase competitiveness of the firm in the furiously competitive market (Tsang 1998). However, the guanxi gap can mean Australian managers find it hard to use the same behaviours and styles in negotiation. Furthermore, guanxi requires a careful strategy and implementation plan of its own that needs to be aligned with the firm’s business strategy; like any assets, it must be managed to make sure it does not become a liability (Vanhonacker 2004, p. 49). Thus, the final research question is:

**RQ 3**: What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiation with each other?

### 2.6 Conclusion for Chapter Two

The purpose of Chapter Two is to review the extensive literature and identify the main research issues. First, the definitions of negotiation are presented to help explain the complexity of the negotiation process environment and set the boundaries of this research (section 2.1, p. 21). Two parent disciplines of this research, named ‘cross-cultural negotiation’ and ‘negotiation in Australia and China’ (sections 2.2 to 2.3, pp. 27-32) were explored. These parent disciplines provided the background for the immediate discipline, namely ‘Guanxi, Confucian Theme, and Strategy in Chinese Negotiation’ (section 2.4, p. 39). They are discussed in detail in order to identify the gaps in the literature and to develop the conceptual framework (table 12, p. 59) with the related research questions (section 2.5, p. 58). Therefore, these primary bodies of literature provide the basis for the research topic, how to build and manage guanxi during the negotiation process, as the aim of this study.

Next, Chapter Three will discuss the research methodology adopted for this research to address these research questions derived from gaps found in the literature (Wong, 2006, p. 57).
Chapter Three: Methodology

3. Overview of Methodology

The philosophical stance or worldview that underlies and informs a style of research (Jupp 2006, p. 175).

The literature about guanxi and negotiations were reviewed in Chapter Two and from this, three research questions were developed:

- **RQ 1:** How do Australian managers and Chinese managers differ in their perception of guanxi?
- **RQ 2:** How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?
- **RQ 3:** What strategy-related areas should Australians and Chinese pay attention to in order to ensure successful negotiation with each other?

These research questions will be investigated with phenomenological research methodology, as described in this subsequent chapter. The chapter consists of six main sections, as shown in table 13 (p. 65). Section 3.1 (p. 66) describes the three research paradigms and selects and justifies the interpretivism paradigm used for this research. The next section (3.2, p. 73) explains the choice of qualitative research as opposed to quantitative research methods. Then, five research approaches within the interpretivism paradigm are described and the selection of the phenomenology approach is justified in section 3.3 (p. 78). Section 3.4 (p. 86) explains the design and analysis procedures to be used in the phenomenological research. Finally, the ethical considerations and the limitations associated with the methodology are provided in section 3.5 (p. 103) and 3.6 (p. 105).
Table 13: The Structure of Chapter Three

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<td>3.4.1 Sampling: <em>Quota samples</em></td>
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<td>3.4.3 Data analysis: <em>Phenomenological data analysis</em></td>
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<td><strong>3.5. Ethical considerations</strong></td>
</tr>
<tr>
<td><strong>3.6 Limitations of methodology</strong></td>
</tr>
<tr>
<td><strong>3.7 Conclusion for chapter three</strong></td>
</tr>
</tbody>
</table>

Source: Developed for this study
3.1 Justification for the Choice of Paradigm

The initial step in the research design involved choosing the research paradigm that would be most suitable for this study (Miller 2007, p. 110). Three major research paradigms of positivism, critical theory, and interpretivism were reviewed and evaluated for the study, with interpretivism being chosen. The following is an overview of this selection process.

3.1.1 Choosing between Paradigms

Good research starts with the selection of the topic, problem or area of interest as well as the paradigm (Creswell 1994; Mason 1996). Groenewald (2004, p. 6) traces ‘paradigm’ back to its Greek (paradeigma) and Latin origins (paradigma) meaning pattern, model or example. According to Neuman (2006, p. 81), a paradigm means a basic orientation to theory and research. In other words, a paradigm is the pattern of thinking of a person; it is a principal example among examples, an exemplar or model to follow according to which design actions are taken (Groenewald 2004, p. 6). Differently stated, a paradigm is an action of submitting to a view (Stanage 1987). This view is supported by Jupp (2006, p. 212) and Bryman (1988, p. 4) who both define a research paradigm as: ‘A cluster of beliefs and dictates which for researchers in a particular discipline influence what should be studied, how research should be done, how results should be interpreted and so on’.

Furthermore, another three major ideas can be used from research philosophy (McMurray 2006, p. 26) in that the research approach should be consistent with assumptions that are ontological (nature of reality), epistemological (relationship between the researcher and the research) and methodological (the way a researcher discover or create knowledge) (see section 3.2).

3.1.2 Ontology

Briefly, ontology is a concept concerned with the existence of, and relationship between different aspects of society such as social actors, cultural norms and social structure (Jupp 2006, p. 202). Ontological issues are concerned with questions pertaining to kinds of things that exist within society. According to Maylor and Blackmon (2005, p. 156), there
are two kind of ontology: (1) objectivist – dealing only with what is physically real and rejecting things that do not fit in with research ‘reality’ such as social objects; (2) subjectivist – studying and understanding human behaviour, whether at the level of the individual or of the social system, and seeing how this differs significantly from the behaviour of natural objects. As shown in the Literature Review, cross-cultural negotiations occur when the negotiating parties belong to different cultures and do not share the same ways of thinking, feeling and behaving. This research therefore requires an understanding of human behaviour with regard to beliefs, customs, relationships, style of communication and so on. Thus, the subjectivist ontology is more appropriate for this research.

3.1.3 Epistemology
Epistemology or theory of knowledge is the branch of Western philosophy that studies the nature and scope of knowledge and belief (Wikipedia 2007). Much of the debate in this field has focused on analysing the nature of knowledge and how it relates to similar notions such as truth and belief (Table 14, p. 67). As Jupp (2006, p. 92) states: ‘Epistemology refers to a field of philosophy concerned with the possibility, nature, sources and limits of human knowledge’.

Table 14: Epistemology

![Propositions Diagram]


Furthermore, epistemology answers to a daunting variety of senses in the humanities and the social sciences (Cruz 2008, p. 23). Typically, the Western epistemologist tries to illuminate the difference between knowledge and opinions, or the difference between
good reasons and poor reasons (Cruz 2008, p. 23). Thus, epistemology is information, resource, capital or knowledge that can be stored, shared, communicated in western perspective.

In contrast, Eastern epistemology of knowledge is incongruent with the reality of the cultural and religious diversity of South East Asia and the Middle East (Andriessen & Boon 2007, p. 644). According to Confucian philosophy, knowledge is not a substance outside, but merely innate knowledge that unifies the man with the world and society (Andriessen & Boon 2007, p. 645). Epistemology exists in action from the Confucian perspective. For this reason, Andriessen and Boon (2007, p. 644) point out the fundamental difference between Western and Asian epistemology paths is that, ‘While nothingness is foundational for Eastern experience and though, being is the source and background for all verbalization and reflection in Western though and experience’.

Further, Maylor and Blackmon (2005, p. 156) state that the similarity between Western and Eastern epistemology in the way they concerns ‘what is and is not considered as knowledge in a field’. The basic similarity was found in the way epistemology deals with scepticism about different knowledge claims.

As mentioned above, differences among epistemology cannot be studies only in what is modeled in West or East. Therefore, it is better to learn from comparisons of knowledge. For instance,

- To an ethnographer, people’s opinions provide useful data about a situation and knowledge for research from both West and East (Maylor & Blackmon 2005, p. 156).
- To a scientist, objective data are preferable, and the use of people’s opinions from both West and East as data may require rigorous scrutiny (Maylor & Blackmon 2005, p. 156).
3.1.4 Paradigms

Many scholars have point out that there are three majors’ paradigms within the elements of epistemology, ontology and common methodology. These approaches are outlined in table 15 (p. 69) to aid the researcher in evaluating the literature and selecting the most appropriate paradigm for this research.

**Table 15: Research Approaches**

<table>
<thead>
<tr>
<th>Research Approaches</th>
<th>Epistemology</th>
<th>Ontology</th>
<th>Common methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positivism</strong></td>
<td>Real reality but apprehensible</td>
<td>Dualist/ Objectivist</td>
<td>- Experimental/Manipulative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Verification of hypothesis;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Quantitative methods with survey</td>
</tr>
<tr>
<td><strong>Critical Theory</strong></td>
<td>Historical realism; crystallized over time</td>
<td>Transactional/ Subjectivist; value-mediated findings</td>
<td>- Action research/Focus group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Dialogic/Dialectical</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Transformative intellectual</td>
</tr>
<tr>
<td><strong>Interpretivism</strong></td>
<td>emphasises meaningful social action, socially constructed meaning, and value relativism</td>
<td>Transactional/ Subjectivist; Create findings</td>
<td>- Hermeneutic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Grounded theory</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Ethnography</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Case study</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Interpretative phenomenological analysis</td>
</tr>
</tbody>
</table>


3.1.4.1 Positivism

This is one of the three most important paradigms recognised by many text books on social research. According to Neuman (2006, p. 81), positivism arose from a nineteenth
century school of thought by a Frenchman named Auguste Comte (1789-1857), who founded ‘sociology’. Comte’s major work is in six volumes, *The Course of Positive Philosophy 1830-1842*, outlined many principles of positivism still used in the twenty-first century (Neuman 2006, p. 81). Today, a positivism perspective maintains that there is a world that can be completely and objectively described and measured (Miller 2007). Positivism is said to be the methodological underpinning of survey research and experimental approaches. When describing it, there is significant relationship between scientific approaches to social research in general and the particular position of positivism (Table 16, p. 70).

### Table 16: Key Characteristics of Science and Positivism

<table>
<thead>
<tr>
<th>Scientific Method</th>
<th>Positivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanatory</td>
<td>Prioritizes observation</td>
</tr>
<tr>
<td>Predictive</td>
<td>Verificatory (procedures should show whether a statement is true or false)</td>
</tr>
<tr>
<td>Evidence-Based</td>
<td>Value-free (moral values have no part in science)</td>
</tr>
<tr>
<td>Seeks truth</td>
<td>Operationalist (scientists can only deal in those things which are measurable)</td>
</tr>
<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Logical</td>
<td></td>
</tr>
<tr>
<td>Parsimonious</td>
<td></td>
</tr>
<tr>
<td>Numerative</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Jupp 2006, p. 231*

However, positivist social science was criticised for ignoring the importance of individual subjectivity and the role of consciousness in shaping the social world (Jupp 2006, p. 230). In this research, cultural knowledge is essential because Western goals often conflict with Eastern goals since negotiation is a human activity (Lewicki & Hiam 2006, p. 5). Behaviour in negotiation is consistent within cultures and each culture has its own distinctive negotiation style (Woo et al. 1999, p. 315). Since, part of this research aims to understand the individual subjectivity in human behaviour between Australians and
Chinese during the negotiation process, therefore, the positivism research paradigm is not suited to this study.

3.1.4.2 Critical Theory

Critical theory is a mix of homothetic and ideographic approaches. According to Neuman (2006, p. 94), this approach is traced to Karl Marx (1818-1883) and Sigmund Freud (1956-1939), and it was elaborated further by Theodor Adorno (1903-1969). In brief, critical theory constitutes social realists that are apprehensible and based on historically situated structures (Miller 2007, p. 115). Further, this paradigm focuses on the analysis and transformation of economic, political, social, ethnic and general values (Miller 2007, p. 115), and emphasises the reality based on the perception held by a group of individuals. Seiler (2007) points out four features of critical theory:

1. Critical Theory shares the ideas and the methodologies of some interpretive theories.
2. What makes critical scholarship different from interpretive scholarship is that it interprets the acts and the symbols of society in order to understand the ways in which various social groups are oppressed.
3. Critical theory teaches that knowledge is power. This means that understanding the ways one is oppressed enables one to take action to the change oppressive forces.
4. Critical theories are thus normative; they serve to bring about change in the conditions that affect our lives.

Miller (2007, p. 116) notes that critical paradigm often brings ignorance and misconception into a new consciousness. For example, critical paradigm may ignore the guanxi factor in negotiation and foster Australian managers’ misconceptions of the guanxi phenomenon by criticised the Chinese social values. Furthermore, this research does not intend to transform any of the participants to change their attitude or current practices such as guanxi in the negotiation process (Wong 2006, p. 65). Rather, this research is set out to determine the concept of guanxi in relating to negotiation for
Australian managers. Therefore, the critical theory paradigm is not as suitable as the interpretivism paradigm for this research.

3.1.4.3 Interpretivism

In general, interpretivism emphasises a meaningful social action, socially constructed meaning, and value relativism (Maylor & Blackmon 2005, p. 156). According to Neuman (2006, p. 87), the interpretive approach can be traced to German sociologist Max Weber (1864-1920) and German philosopher Wilhelm Dilthey (1833-1911). Weber felt that researchers must learn the personal reasons or motives that shape a person’s internal feelings and guide their decision to act in a particular way (Neuman 2007, p. 86). As Neuman (2007, p. 88) notes ‘interpretivism is the analysis of socially meaningful action through the direct detailed observation and/or in-depth interview of people in natural settings in order to arrive at understandings and interpretations of how people create and maintain their social worlds’.

Further, interpretivism proposes that there are multiple realities, not a single reality of phenomena, and that these realities can differ across time and circumstances (Bogdan & Biklen 1992, p. 38). Thus, interpretivism is a way to gain insight through discovering meanings, by improving our comprehension of the whole. However, in this research, cross-cultural negotiations and guanxi are still governed by all the rules of mono-cultural negotiations. The significance of the guanxi influence on negotiation practices becomes even greater when the two parties involved in the negotiation process have considerably different cultural backgrounds. Therefore, the interpretivism paradigm is appropriate for this research in order to understand the human behaviour of both Australian and Chinese managers. Consequently, the interpretivism paradigm is most suitable for this research.

In the next section, two research methods, namely quantitative and qualitative, are examined and the most appropriate one is selected for this research.
3.2 Justification for the Research Method

As a transition from the choice of interpretivism paradigm to the choice of methodology, there are two kinds of methodology been considered: quantitative and qualitative (Miller 2007, p. 117). This section aims to justify the use of a qualitative research method for this thesis. The characteristics of the quantitative and qualitative methods are discussed and to explain why qualitative techniques are more appropriate for this research in cross-cultural negotiation based on guanxi (Miller 2007, p. 117).

3.2.1 Research Methods

Essentially, quantitative research is measured in terms of numbers (Langley 1999). Quantitative research tends to be associated with the realist epistemology, the approach to knowledge that maintains that the real world exists, is directly knowable and that the real world causes our experiences (Jupp 2006, p. 250). Real things exist, and these can be measured, and have numerical values assigned as an outcome measurement. In contrast, qualitative research is like writing the summary, with measurement in terms of descriptions and categories. Qualitative researchers often rely on interpretive or critical social science. Qualitative researcher sees the world as complex and interconnected and therefore a rich and a fertile opportunity for understanding the nature of humanity (Cavana et al. 2001, p. 134). A brief comparison of the characteristics of these two approaches is provided in the next section, and explores why the qualitative technique is the most appropriate for this research (Miller 2007, p. 117).

3.2.2 Quantitative Research vs. Qualitative Research

According to Cavana, Delahaye and Sekaran (2001, p. 34), quantitative research is based broadly on the ideals of positivism which arose some two hundred years ago from the ideas of Auguste Compte. These ideas espouse precise quantitative data and value rigorous, exact measurements (Cavana et al. 2001, p. 34). Quantitative data can be scales, scores, rating and durations. Quantitative data can be collected in either controlled or naturalistic environments, in labouratories or via field studies, from special populations or from samples of the general population (Jupp 2006, p. 250). Further, the ideal quantitative research design is to identify the research hypothesis and then to attempt to
prove that research hypothesis is not correct – that is, to prove the null hypothesis (Cavana et al, 2001, p. 34). In addition, the hallmarks of good research are seen as objective observation, statistical analysis, verifiable truths and precise measurements. This explains why quantitative research uses large samples and statistical significance levels in order to maximise the generalisation of the findings (Miller 2007, p, 118; Cavana et al. 2001, p. 34).

Conversely, the role of qualitative research is to understand human behaviour. True meaning can be discovered only by detailed study and contemplation of rich and multifarious evidence of human thoughts and behaviours (Cavana et al. 2001, p. 34). However, qualitative research is not a single theoretical principle, a single research strategy or a single method (Silverman 1993). Shaw (2002) notes that qualitative research was developed in the nineteenth and twentieth centuries, across a range of disciplines and theoretical bases. Qualitative research can include:

- Immersion in situations of everyday life (Shaw 2002, p. 6). ‘These situations are typically “banal” or normal ones, reactive of the everyday life of individuals, groups, societies and organisations’ (Miles & Huberman 1992, p. 6). It involves ‘looking at the ordinary in places where it takes unaccustomed forms, so that understanding a people’s culture exposes their normalness without reducing their particularity’ (Geertz 1973, p. 14).
- Gaining an overview of the whole of the culture and context under study: The word ‘holistic’ is often used (Shaw 2002, p. 7).
- Holism as pursued through inquiry into the particular (Shaw 2002, p. 7). ‘The anthropologist characteristically approaches ... broader interpretations ... from the direction of exceedingly extended acquaintance with extremely small matters. Grand realities of Power, Faith, Prestige, Love, etc. are confronted `in contexts obscure enough ... to take the capital letters off’ (Geertz 1973, p. 21). Qualitative researchers ‘make the case palpable’ (Eisner 1991, p. 39).
- The whole and the particular being held in tension. ‘Small facts speak to large issues’ (Geertz 1973, p. 23), and ‘in the particular is located a general theme’
(Eisner, 1991, p. 39). This process is anything but obvious or simple: ‘what we understand about individual service users, particular social workers, local clinics, and so on, may not be transferable in a straightforward way to understanding other service users, social workers or clinics’ (Shaw 2002, p. 7).

- The researcher attempting to capture data on the perceptions of local actors ‘from the inside’, through a process of deep attentiveness, and of suspending or ‘bracketing’ preconceptions about the topics under discussion (Miles & Huberman 1992, p. 6).
- Qualitative approaches which ‘can effectively give voice to the normally silenced and can poignantly illuminate what is typically masked’ (Greene 1994, p. 541).
- Respondent or member categories are kept to the foreground throughout the research. This is linked to the strong inductive tradition in qualitative research – a commitment to the imaginative production of new concepts, through the cultivation of openness on the part of the researcher (Shaw 2002, p. 7).
- ‘Qualitative data which are not just about behaviour, as they are also about actions which carry with them intentions and meanings, and lead to consequences’ (Shaw 2002, p.7). This is partly what is meant when the word ‘constructivist’ is used (Shaw 2002, p. 7).
- Finally, relatively little standardized instrumentation is used, especially at the outset. The researcher is essentially the main instrument in the study, and most analysis is done in words (Miles & Huberman 1994, p. 7).

These characteristics of qualitative research emphasise the depth and detail of understanding and interpretation. This contrasts with quantitative research. Fletcher and Brown (2005, p. 234) and Hollensen (2004, p. 144), who were involved in data collection for quantitative analysis, identified the ten most important differences between quantitative and qualitative research (Table 17, p. 76).
Table 17: The Differences between Quantitative and Qualitative Research

<table>
<thead>
<tr>
<th>Comparison Dimension</th>
<th>Quantitative Research</th>
<th>Qualitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Objective</td>
<td>To quantify the data and generalise the results from the sample to the population of interest</td>
<td>To gain an initial and qualitative understanding of the underlying reasons and motives</td>
</tr>
<tr>
<td>2. Approaches</td>
<td>Theory is largely causal and deductive</td>
<td>Theory can be causal or non-causal and is often inductive</td>
</tr>
<tr>
<td>3. Type of research</td>
<td>Descriptive and/or causal</td>
<td>Exploratory</td>
</tr>
<tr>
<td>4. Flexibilities in research design</td>
<td>Low (as a result of a standardized and structured questionnaire: one-way communication)</td>
<td>High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)</td>
</tr>
<tr>
<td>5. Sample Size</td>
<td>Large (100+)</td>
<td>Small (15 - 60)</td>
</tr>
<tr>
<td>6. Information per respondent</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>7. Data analysis</td>
<td>Statistical summary</td>
<td>Subject, interpretative</td>
</tr>
<tr>
<td>8. Ability to replicate with same results</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>9. Interview requirement</td>
<td>No special skill required</td>
<td>Special skill required (an</td>
</tr>
</tbody>
</table>
Given these fundamental differences, one may question – which research method is more appropriate for this research? The choice of qualitative research for this study can be justified based on the following three reasons. Firstly, many scholars have pointed out that ‘Cultural and individual preferences vary substantially between nations especially in research study’ (Hill 2003; Fletcher & Brown 2005; March & Wu 2007). For example, Fletcher and Brown (2005, p. 236) note that managers in countries such as Australia usually prefer qualitative research interviews when they want to do business with overseas countries. The reason is that qualitative interview aims to gain good understanding of customer attitudes and behaviour or feelings and associations about a topic, or term used in discussion of that topic (Craig & Douglas 2005, p. 225). Further, as having a personal network of acquaintances is extremely important in China. For this reason, the Chinese managers prefer to use qualitative research through visits to their partners, members or friends, in order to strength their guanxi network and also maximise the reliability of data. Additionally, Chinese people are not willing to answer questions, if they do not know the person or group of people asking the questions. This is an evident consequence of collectivism (relationship before task), but it also contributes to a long term orientation (Hofstede 2001, p. 362). Thus, this is the first reason that qualitative technique is most appropriate for this research.
Secondly, this research topic involves the notions of human ideology in both Australia and China. Qualitative research methods often adopt an inductive approach in order to understand the nature human behaviour. In this study, researcher is able to builds his patterns, categories, and themes from the ‘bottom-up, by organising the data into increasingly more abstract units of information (Creswell 2007, p. 38). This inductive process involves researcher working back and forth between the themes and the database until he establish a comprehensive set of themes (Creswell 2007, p. 39). Thus, a qualitative method is required to gain the type of information needed.

Thirdly, negotiation based on guanxi is a relatively new topic in international management literature. According to Hill (2003, p. 87), this topic was first realised when the McDonald’s business venture failed in China during the year 2001. For this reason, qualitative methods are required to explore negotiation and guanxi in depth analysis with experience and experts managers rather than to evaluate the ideas (Miller 2007, p. 120; Hill 2003, p. 87). Therefore, qualitative method allows the researcher to obtain rich and meaningful information on how to build and manage guanxi for Australian managers undertaking negotiations in China.

In summary, given the complexity of the research topic, (which examines cross-cultural negotiations based on guanxi), it can only be explored using qualitative research methods.

3.3 Justification for the Use of the Qualitative Approach

Having justified the selection of the interpretivism paradigm and qualitative research, section 3.3 considers the application of this methodology for qualitative approaches. The five major approaches were reviewed and evaluated, with interpretative phenomenological analysis being chosen for this research.

According to Creswell (2007, p. 78) and Jupp (2006, p. 363), there are five main qualitative approaches of interpretive social science in research methodology: (1)
Table 18: The Main Methodology Approaches for Qualitative Research

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hermeneutic</td>
<td>The study of how we understanding to interpreting the meaning of written texts and symbolic artefacts such as art, historic and religion.</td>
</tr>
<tr>
<td>Grounded theory</td>
<td>Theory is developed inductively from a corpus of data acquired by a participant-observer.</td>
</tr>
<tr>
<td>Case study</td>
<td>Attempts to shed light on a phenomenon by studying in-depth a single case example of the phenomena. The case can be an individual person, an event, a group, or an institution.</td>
</tr>
<tr>
<td>Ethnography</td>
<td>Focuses on the sociology of meaning through close field observation of socio-cultural phenomena. Typically, the ethnographer focuses on a community.</td>
</tr>
<tr>
<td>Phenomenology</td>
<td>Analysis of a phenomenon based on understanding the experiences of individuals</td>
</tr>
</tbody>
</table>

Source: Creswell 2007, p. 78; Jupp 2006, p. 363

3.3.1 Hermeneutic

According to Belzen (1997), hermeneutic approaches are based on a long philosophical interpretive tradition. A German theologian, Friedrich Daniel Ernst Schleiermacher (1768-1834), was very influential in the development of hermeneutics throughout the nineteenth and early twentieth century. More recent thought is dependent on the work of Gadamer in the US and Riceour in France (Belzen 1997). Essentially, hermeneutics involves cultivating the ability to understand things from somebody else's point of view, and to appreciate the cultural and social forces that may have influenced their outlook (Wikipedia 2007; Ricoeur, 1981). Hermeneutics is the process of applying this understanding to interpreting the meaning of written texts and symbolic artefacts such as art, historic items and especially religion (Wikipedia 2007; Packer & Addison 1989). In
other words, hermeneutics is the study of how we understand communications, actions, and products of other human beings through written documents or texts. Furthermore, it also implies a particular set of views about what such an understanding involves; one that stresses the role of inner life experience, culture and/or imagination on the part of the interpreter (Jupp 2006, p. 133).

Dostal (2002, p. 31) argues that ‘interpretation is not independent of the beliefs and value of the interpreter, but through openness one can take away new ideas and ways of looking at the world’. Moreover, no researchers should automatically accept everything written on face value in the texts (Belzen 1997). For example, guanxi has been translated as ‘relationship and connection’ in most of texts or documents when discussing cross-cultural negotiation (Ambler & Witzel 2000, p. 97). However, Chapter Two (p. 60) shows that there is no direct English translation for the word guanxi, a fact that has created much confusion over its precise meaning today (Chen 2001, p. 46). Therefore, the hermeneutic approach is not suitable for this research methodology.

3.3.2 Grounded Theory

According to Strauss & Corbin (1998), grounded theory is a research method for behavioural science which was developed by the sociologists Barney Glaser and Anselm Strauss in the nineteenth century. Grounded theory refers to a set of well developed concepts related through statements of relationship, which together constitute an integrated framework that can be used to understand and predict behaviour (Strauss & Corbin 1998, p. 15). The purpose of grounded theory is to build a theory that is faithful to the evidence (Neuman 2006, p. 60). It is thus a method for discovering new theory (Neuman 2006, p. 60). Grounded theory shares several goals with more positivist-oriented theory; it seeks theory that is comparable with the evidence that is precise and rigorous, capable of replication and generalisable (Neuman 2006, p. 60). A grounded theory approach pursues generalisations by making comparisons across social situation (Neuman 2006, p. 60)
The basic method of the grounded theory approach is to read (and re-read) a textual database (such as a corpus of field notes) and ‘discover’ or label variables (called categories coding) and their interrelationships (Borgatti 2007). The ability to perceive variables and relationships is termed ‘theoretical sensitivity’ and is affected by a number of things including one’s reading of the literature and one's use of techniques designed to enhance sensitivity (Borgatti 2007). In addition, the data do not have to be literally textual. They could be observations of behaviour, such as interactions and events in a restaurant. Often they are in the form of field notes, which are like diary entries (Mason 2002).

However, the researcher faces three challenges in using the grounded theory approach in this study. (1) The investigator needs to set aside, as much as possible, theoretical ideas so that the analytic/substantive theory can emerge (Creswell 2007, p. 67). (2) There is a danger that a grounded theory approach will simply become a form of data analysis and ignore the conceptual framework, because this approach seems impossible – to choose to research a topic at all (Jupp 2006, p. 132). (3) The sampling strategy focuses on homogeneous sample in grounded theory (Creswell 2007, p. 120). This study requires the involvement of both Australian and Chinese participants. Therefore, ground theory is not suitable for this research. However, Soliman et al (2001) demonstrated that the grounded theory could be an appropriate method for the identification of CSFs for guanxi networks and processes.

3.3.3 Case Study
The case study method was invented by the Harvard Business School over 80 years ago (Barnes, Christensen & Hansen, 1994). Case study research aims to understand a complex issue or object and can extend experience or add strength to what is already known through previous research (Soy 1997). Case studies emphasise detailed contextual analysis of a limited number of events or conditions and their relationships (Soy 1997). Researchers have used the case study research method for many years across a variety of disciplines. For example, social scientists in particular have made extensive use of this qualitative research method to examine contemporary real-life situations and provide the
basis for the application of ideas and extension of methods (Soy 1997). Yin defines that ‘the case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used’ (1984, p. 23).

Moreover, researchers are able to collect their data from multiple sources and using several methods such as interviews, observation and so on (Perry 2001, p. 305 cited in Wong 2006, p. 68). This represents that a case study design does not dictate the use of any particular technique for collection or analysis of data, but it does have implications for the choice of unit of analysis to which researchers will apply one or more techniques (Maylor & Blackmon 2005, p. 243). Thus, good case study research, like surveys, takes careful planning and execution; furthermore, researchers must identify his or her case, and consider whether to study a single case or multiple cases (Creswell 1998, p. 65). Hedges (1985, cited in Wong 2006, p. 79) suggests an upper limit of twelve cases because of the high costs involved in qualitative interviews and the quantity of qualitative data which can be effectively assimilated.

However, Creswell (2007, p. 73) points out that ‘this approach is aims to understand the issues or problem by using the case as a specific illustration rather than determine how the culture works’. In contrast, the Literature Review suggests that an understanding of the Confucian theme and guanxi is the best solution to successful negotiation with the Chinese because Chinese are hard bargainers and use the guanxi itself as one of the key tactics to win (Chapter two, p. 38). Therefore, the case study methodology is not suitable for this research.

### 3.3.4 Ethnography

Bulmer (1984) notes that the contemporary origins of sociological ethnography are traced to the ‘Chicago School’ of 1915–1940, and to nineteenth century sociological theory, reformist endeavours, and anthropological exploration. Today, ethnography is a form of research focusing on the sociology of meaning through close field observation of socio-
cultural phenomena (Clifford. 1999). Its ultimate aim is the collection of information about groups, and it is primarily inductive in philosophy (Atkinson et al. 2001). Ethnography is a form of research focusing on the sociology of meaning through close field observation of socio-cultural phenomena (Clifford. 1999). Typically, the ethnographer focuses on a community, selecting informants who are known to have an overview of the activities of the community (Coffey 1999). Such informants are asked to identify other informants who are representative of the community, using chain sampling to obtain a saturation of informants in all empirical areas of investigation (Coffey 1999).

The basic ethnographic method starts with selection of a culture, review of the literature pertaining to the culture, and identification of variables of interest (Denzin & Lincoln 1994). The ethnographer then goes about gaining entrance, which in turn sets the stage for ‘cultural immersion’ of the ethnographer in the culture (Denzin & Lincoln 1994). It is normal for ethnographers to live in the culture for one to three years (Atkinson et al. 2001). Further, the ethnographic method involves gaining informants, using them to gain yet more informants in a chaining process, and gathering of data in the form of observational transcripts and interview recordings (Madison 2005). Data analysis and theory development come at the end, though theories may emerge from cultural immersion and theory-articulation by members of the culture (Kvale 1996). In other words, the ethnography method is able to describe culture through text and visual means. Therefore, ethnography approach is quite suitable for this research; however, the researcher is willing to consider other research approaches as well.

3.3.5 Phenomenology

Smith (2003) reports that phenomenology is the study of structures of consciousness as experienced by people, which was developed by Edmund Husserl, Martin Heidegger, Maurice Merleau-Ponty, Jean-Paul Sartre, and others at the end of the nineteenth century. The central structure of an experience is its intentionality, its being directed toward something, as it is an experience of or about some object. An experience is directed towards an object by virtue of its content or meaning (which represents the object) together with appropriate enabling conditions (Smith 2003). Creswell (1994, p. 12)
identify that phenomenological analysis aim to understand human experiences through details of the people being studied. Denzin and Lincoln (1994, p. 139) point out that phenomenology procedures and practices give structure and meaning to everyday life. Rather than trying to make objective descriptions, the phenomenology approach focuses on the uniqueness of an individual’s thoughts and perceptions (Smith & Osborn 2003). A researcher applying phenomenology is concerned with the lived experiences of the people involved, or who were involved, with the issue that is being researched, for example, what is the meaning of negotiation (Kruger 1988). Thus, Welman and Kruger (1999, p. 189) notes that the role of the phenomenologist is concerned with understanding social and psychological phenomena from the perspectives of human involvement and action.

Furthermore, according to Denzin & Lincoln (1994, p. 65), phenomenological analysis involves studying a small number of subjects through extensive and prolonged engagement to develop patterns/relationships of meaning. Phenomenology only employs qualitative methodology due to the concerns with reality interpretive practice (Denzin & Lincoln 1994, p. 17). Smith (2003) reported that phenomenology philosophy includes at least five core disciplines:

- Ontology is the study of beings or their being – what is.
- Epistemology is the study of knowledge – how we know.
- Logic is the study of valid reasoning – how to reason.
- Ethics is the study of right and wrong – how we should act.
- Phenomenology is the study of our experience – how we experience / what does it mean to the person?

This suggests that phenomenology is a bottom-up, inductive approach, that avoids prior assumptions and is able to help the researcher to answer research problems of ‘how and what’ (Smith & Osborn 2003). Unlike quantitative methods, phenomenology encourages an ‘open-ended’ dialogue between the researcher and participants (Smith 2003). This view is supported by Creswell (2007, p. 59). Phenomenology is not only a description, but it is also seen as an interpretive process in which the researcher makes an
interpretation of the meaning of the lived experiences. In addition, Kruger (1988) notices that phenomenological analysis is able to target an understanding of social relationships. However, understanding of guanxi depends on how well the Chinese social relationship is analysed. Therefore, the researcher is able to understand the impact of guanxi in negotiation through multiple individuals who have experienced this phenomenon.

In the data collection method, Smith (2003) points out that most phenomenology work uses semi-structured, in-depth interviews which enable the participant to provide a fuller, richer, account than would be possible through the use of a standard quantitative instrument. This also allows the researcher considerable flexibility in probing interesting areas which can emerge. Further, an in-depth semi-structured interview process can be taped and/or transcribed verbatim and then subjected to detailed qualitative analysis attempting to elicit ‘key themes’ in the participant’s talk (Groenewald 2003). These methods focus in-depth on the meaning of a particular aspect of experience, assuming that through dialogue and reflection, the quintessential meaning of the experience will be revealed (Van 1997, p. 72). Language is viewed as the primary symbol system through which meaning is both constructed and conveyed (Holstein & Gubrium, 1994). Thus, phenomenology supports data-driven theorising, and data used in an analysis comes from in-depth conversations supporting a higher level of validity. In addition, there is no reason why other qualitative data collection methods, for example observation and focus group, cannot be used in phenomenological approaches (Smith 2003). This is an added benefit, as the researcher can switch data collection techniques when an unexpected situation arises during the data collection process, and/or combine the data collection techniques to triangulate the data. Given these advantages, the phenomenology approach is most suitable for this research.

3.3.6 Limitations of the Qualitative Approach in this Research

There are two appropriate research approaches for this study, namely, ethnography and phenomenology. However, there are two main challenges in the use of the ethnography approach in this study: (1) the time to collect data is extensive, involving prolonged time
in the field (Creswell 1998 p. 210); (2) it could be expensive to collect data in places such as Sydney in Australia and Shanghai in China.

Therefore, even though the ethnography approach is quite suitable for this study, due to the challenges of time and financial constraints in this approach, the phenomenology approach was chosen for this research.

3.4 Methodology Design: Phenomenology

The previous section justified the use of the phenomenology approach for this investigation. Section 3.4 (p. 86) therefore considers the appropriate phenomenological research design for methodology used in this research with regard to: (1) sampling, (2) data collection techniques, (3) training of data collectors, (4) analysing data, and (5) verifying and disseminating the findings.

3.4.1 Sampling: Quota sampling

The purpose of this type of qualitative research (Phenomenology) is to describe or understand the phenomena of interest from the participant’s eyes; the participants are the only ones who can legitimately judge the credibility of the results (Trochim 2005). The selection of participants represents a key decision point in any qualitative study. For this reason, the researcher needs to keep clear criteria in mind and should provide rationale for their decisions (Miles & Huberman 1994, p. 12). Cavana Delahaye, and Sekaran (2001, p. 256) point out that there are seven steps to consider when preparing a sampling design (Table 19, p. 87), and each step in this research is discussed in turn.
Table 19: Points to Consider when Preparing a Sampling Design

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the relevant target population of focus to the study?</td>
</tr>
<tr>
<td>2. What exactly are the parameters we are interested in studying?</td>
</tr>
<tr>
<td>3. What kind of sampling frame is available?</td>
</tr>
<tr>
<td>4. Should a probability or non-probability sampling method be chosen?</td>
</tr>
<tr>
<td>5. What is the sample size needed and its structure?</td>
</tr>
<tr>
<td>6. How much time can be spent in collecting the data from the sample?</td>
</tr>
<tr>
<td>7. Where will the research/data collection take place?</td>
</tr>
</tbody>
</table>

Source: Cavana, Delahaye & Sekaran 2001, p. 256

3.4.1.1 What is the relevant target population of focus to the study?

Patton suggests that:

*Phenomenological study is one that focuses on descriptions of what people experience and how it is that they experience what they experience. One can employ a general phenomenological perspective to elucidate the importance of using methods that capture people's experience of the world without conducting a phenomenological study that focuses on the essence of shared experience (1990, p. 71).*

For this reason, the target population in this research has been selected according to the four criteria below:

- **Element:** Australian and Chinese managers working in either Australia or China with experience(s) in guanxi during the negotiation.
- **Sampling units:** Multinational Enterprises (MNEs), and Small and Midsize International Enterprises (SMIEs),
3.4.1.2 What exactly are the parameters we are interested in studying?
The sampling units focus on the most appropriate experienced managers who are working in either Australia or China in any MNEs and SMIEs. The reasons are as follows.

Chapter Two shows that guanxi can be used as one of the important strategy for negotiation in China, for a long time (p. 56). In this research, it is important to understand the concept of guanxi in order to develop a deeper understanding about this phenomenon through the experienced individuals.

MNEs are enterprises that engage in foreign direct investment and own or controls value adding activities in more than one country, for example, Telstra (Shenkar & Luo 2004, p. 88). For this reason, managers need to have strong negotiation skills and experiences in order to deal comprehensively with the entire transaction from the first hand shake with a potential foreign partner to the final liquidation of cross-cultural negotiation activities that have served their purpose and increased one’s business opportunities (see Chapter Two).

SMIEs do not have foreign direct investment presence, but specializes in export management service due to their resource limitations (Shenkar & Luo 2004, p. 121). In other words, managers require having great negotiation skills and experiences in order to overcome conflicts (for example, bargaining prices) and then reach an agreement that is agreeable to both parties.

MNEs and SMIEs have been targeted to reflect different sizes of enterprises in order to embrace a wide span of both guanxi network and negotiation activities in China. Further, phenomenological research aims to focus on the understanding the essence of the experience (Creswell 2007, p. 78). For this reason, the Australian MNEs and SMIEs must
have considerable experiences in dealing with the Chinese. Similarity, the Chinese MNEs and SMIEs must have experience in dealing with the Australians as well.

Thus, the researcher is able to search for essentials, invariant structure, the central underlying meaning of the guanxi experience and emphasise its impact on negotiation, where Guanxi is believed to be a striking feature that helps to win the negotiation in Chinese market as discussed in Literature Review.

3.4.1.3 What kind of sampling frame is available?
In this research, the study population is not the one that would be identified through official statistics, a sample frame will need to be specially generated. According to Ritchine and Lewis, ‘Flow populations – The term is used where samples are generated by approaching people in a particular location or setting’(2003, p. 94). This method is best used to identify experienced managers who are willing to consider taking part in this research by e-mail. Afterward, seeking their permission to contact them at their ‘home country’ to describe and discuss the research in detail (Ritchine & Lewis 2003, p. 95). As Chapter Two (p. 32) shows, Australian and Chinese have very different views on negotiation. Flow populations can provide a check on comparability of results, as well as samples that can be drawn into subgroups within countries such as Chinese migrants working in Australia. Thus, flow populations will be the most effective way of knowing different perspective of negotiation between Australian and Chinese in this research. Further, flow populations are available due to the nature of the geographical location and trade relationship between Australia and China.

However, Chapter Two (p. 34) illustrates that Chinese society is considered as relationship-focused culture. This represents that interviewing Chinese participants could be a challenge participants because relationship is basic principle for getting thing done. The recruitment strategy could be characterised basically by build up friendship, trust, mutual benefit and then seeking cooperation. Thus, there could be a need to rely on social relations when trying to obtain participants in China. Therefore, the researcher may resort
to using his own social network such as family business network and friends to recruit participants in China.

3.4.1.4 Should a probability or non-probability sampling method be chosen?
According to Creswell (2007, p. 62), the limitation of phenomenological research is that the participants in the study need to be carefully chosen, ensuring that they are individuals who have actually ‘experienced’ the phenomenon and that they can articulate their conscious experiences in the study. Flow populations with non-probability quota sampling works well, when the studied individuals represent people from different backgrounds, and who have experienced the phenomenon (Creswell 2007; Ritchine & Lewis 2003). However, it is important to first divide the population into meaningful segments in which a predetermined portion of people are sampled from different groups in quota sampling (Cavana et al. 2001). As the population for the present study involve experienced managers in Australia and China, it is crucial to divide the population within these units into meaningful groups (Table 20, p. 90).

Table 20: Sample Group

<table>
<thead>
<tr>
<th>Differences in Negotiation</th>
<th>Experienced Australian managers</th>
<th>Working in Australia (Group A)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Experienced Chinese managers</td>
<td>Working in China (Group B)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Working in China (Group C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Working in Australia (Group D)</td>
</tr>
</tbody>
</table>

Source: Developed for this study

The researcher intends to investigate how experienced Australians and Chinese managers negotiate. Thus, when experienced Australians do business in China, do they follow the Chinese way by using guanxi as an important element in business negotiation? Further, when the Chinese come to Australia for business, do they adopt the Australian way of
doing business or do they insist on using the Chinese guanxi approach, as they are used to doing?

3.4.1.5 What is the sample size needed and its structure?
According to Polkinghorne (1989, cited in Creswell 2007, p. 120), phenomenological analysis typically involves five to 25 people who have experienced the phenomenon. In this research, a total of 24 (non-random) samples were divided into four different groups (six samples in each group) because of the following reasons:

- In conducting the research carefully, scrupulously and reliably, it is specified that 25 percent of the sample ultimately chosen must be in each group.
- In conducting the research systematically, characteristics based on the (1) nationality, (2) guanxi experience in negotiation, and (3) working location were used.
- Comparisons among the two cultures are possible.
- This helps the researcher to be aware of ‘prejudices, viewpoints or assumptions regarding the phenomenon under investigation’ (Giorgi, 1985, p. 123).
- The purpose of focus group is to triangulate the data from in-depth interviews.

3.4.1.6 How much time can be spent in collecting the data from the sample?
The data collection is expected to be completed at the end of March, 2008.

3.4.1.7 Where will the research/data collection take place?
The researcher is willing to interview each participant in his/her company office because of (1) mutually convenience interview and (2) no need to travel for participants.

However, if any participant prefers to be interviewed in other location rather than his/her company office. The researcher is willing to rent a space in the Rydges Hotel, in Sydney and Melbourne and Shangrila Hotel, in Shanghai and ShenZhen (Table 21, p. 92).
Table 21: The Locations for Data Collection

<table>
<thead>
<tr>
<th>Location</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney (Rydges Hotel)</td>
<td>Address: 389 Pitt Street Sydney NSW 2000 Australia</td>
</tr>
<tr>
<td>Melbourne (Rydges Hotel)</td>
<td>Address: 186 Exhibition Street Melbourne VIC 3000 Australia</td>
</tr>
<tr>
<td>Shanghai (Shangrila Hotel)</td>
<td>Address: No. 33 Fu Cheng Road, Pudong, Shanghai, China 200120</td>
</tr>
<tr>
<td>ShenZhen (Shanghai Hotel)</td>
<td>Address: East Side Railway Station, ShenZhen, China 518001</td>
</tr>
</tbody>
</table>

Source: Developed for this study

The reason is that these two hotels were well positioned, and provided high quality service and a safe environment. As Mack, Woodsong, MacQueen, Guest and Namey (2005) note, interviews should be conducted in a private location with no outsiders present and where participants feel that their confidentiality is completely protected. This could further minimise psychological stress and offences to the participant.

In summary, quota sampling is therefore suitable for this research, and sampling frames (flow populations) are needed, as there are four different groups of interest in Australia and China.

3.4.2 Data collection techniques: In-depth interview (semi-structured) and focus group interviews (semi-structured)

There are two data collection techniques in this research, namely in-depth interviews (semi-structured) and focus group interviews (semi-structured). The next section explains how and why these interviews are conducted.

3.4.2.1 Rationale for using in-depth interviews (semi-structured) and focus group interviews (semi-structured)

According to Kvale (1996, p.1-2), phenomenology data capturing during the qualitative interview: where the researcher attempts to ‘understand the world from the subjects’ point of view, to unfold meaning of peoples’ experiences’. Further, other forms of data
may also be collected, such as observation or focus group in order to triangulate the phenomenological data (Creswell 2007, p. 61)

Thus, the researcher conducted in-depth interviews (semi-structured) because of the following reasons:

- This has the advantage that the researcher can probe attitudes and pinpoint responses to a specific topic through experienced participants (Creswell 1998, p. 122). Accurate information about participants’ attitudes, values and opinions can be obtained for this guanxi and negotiation research.
- In general, in-depth interviews last as long as two hours (Polkinghorne 1989, p. 41). The interview can be a time-intensive evaluation activity because of the time it takes to conduct interviews, transcribe them, and analyse the results. Thus, the longer the interview is, the more advisable it is to sample in the manner of qualitative interviewing (Arksey & Knight 1999, p. 8).
- The informal atmosphere encourages the participants to be open and honest (Langley 1999, p. 24).
- The participants have a great deal of leeway in how to answer the questions. ‘The interview process is flexible’ (Bryman 1988, p. 320).
- The researcher can adjust questions and change direction as the interview is taking place (Langley 1999, p. 24).
- Information can be collected on sensitive issues such as bribery and corruption in negotiations with the Chinese (Langley 1999, p. 24).

However, Massey (1999, p. 2) states that ‘investigators engaged in qualitative research will have increased confidence in the credibility of their results when multiple data collection methods yield consistent findings’. In other words, triangulation, or the use of multiple methods, is a plan of action that will raise sociologists above the personal biases that stem from single methodologies (Denzin 1970, p. 300). By combining methods and investigators in the same study, observers can partially overcome the deficiencies that flow from one investigator and/or one method (Denzin 1970, p. 300). For this reason,
Craig and Douglas (2005, p. 227) note that semi-structured, focus group interviews help the researcher to understand participants’ thinking, attitudes and their experiences relating to the topic being studied, and in centring this interchange on relevant issues. Further, focus group interview have a number of similarities compared to in-depth interview, including the use of an overall pattern to structure the interview and summarising the phenomenological data (Cavana, Delahaye & Sekaran 2001, p. 159). Thus, the researcher uses focus group interview to increase confidence in the credibility of results from the in-depth interview, rather than simply define data as true (Massey 1999, p. 2).

3.4.2.2 The format of the in-depth interviews (semi-structured) and focus group interviews (semi-structured)

The development of the in-depth interview (semi-structured) and focus group interview (semi-structured) for this research is explained in two parts namely instruments and procedures.

3.4.2.2.1 Instrument – Interview questions

Data were obtained about how the participants thought and felt in the most direct way (Bentz & Shapiro 1998, p. 96).

The researcher focused on ‘what went on within’ the participants and encouraged the participants to describe their live experiences in a language ‘as free from the constructs of the intellect and society as possible’ (Groenewald 2004, p. 12). Furthermore, the researcher focused on guanxi, and more particularly, the negotiation process between the Australians and Chinese, in order to understand: ‘how Australian managers can build and manage a guanxi network during negotiations’.

Three research questions were developed in Chapter Two (p. 58). These were directed to the participant’s experiences, beliefs, feelings and convictions about the themes in question (Welman & Kruger 1996, p.196):
(1) How do Australian managers and Chinese managers differ in their perception of guanxi?
(2) How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?
(3) What strategy-related areas should Australians and Chinese pay attention to in order to ensure successful negotiation with each other?

However, Groenewald (2004, p. 11) and Kensit (2000, p. 104) caution that the researcher must allow the data to emerge: ‘doing phenomenology’ means capturing ‘rich description of phenomena and their settings.’ Further, Marvasti (2004, p. 22) notes that the interview questions for semi-structured, in-depth interview and focus group interview should be designed to go beyond the presumed surface level of participants’ feelings and experiences in phenomenological studies. For this reason, the actual research questions that would put to participants are as following:

- How did/do you experience guanxi?
- How did/do you experience guanxi in the negotiation process?
- How did guanxi affect the negotiation process in Australia?
- How did guanxi affect the negotiation process in China?
- What strategies would you recommend to build up guanxi in the negotiation process?
- What strategies should be avoided to build up guanxi during the negotiation process?
- What strategies would you recommend to manage guanxi for future negotiation processes?

Further, the questionnaire technique should adopt open-ended type of questions, and the questions may not follow one another exactly as outlined in the schedule. This is advantageous in that participants can answer exactly how they want to; they are not forced to choose between the researcher’s alternatives (Langley 1999, p. 13). Groenewald (2003) points out that open-ended questions allow respondents to provide extensive and developmental answers and can be used to obtain facts, attitudes and experiences. In
other words, the open-ended questions are worded so that respondents cannot simply answer ‘yes’ or ‘no’, and are encouraged to expound on the ‘guanxi and negotiation’ topic for this research.

Thus, the researcher is able to look first at the individual’s point of view, which Giorgi (1985) points out was the major characteristic of the phenomenological psychological method. The two majors’ data source for this inner perspective is the in-depth interview (semi-structured) and focus group interview (semi-structured). As summed up by Patton (1990, p. 34) the specific purpose of in-depth interview and focus group interview with open-ended question is to: ‘find out what is in and on someone else's mind’.

3.4.2.2.2 Procedures
Firstly, an introduction letter will be sent to participants explaining the purpose of the research and assuring them before the interview, that all the information they provide will be confidential. Once the participant has agreed to be interviewed, the interview shall start by introducing the researcher himself and providing his purpose of the interview, date and time available to the interview, confidentiality and duration of interview, how the interview will be conducted, and the signature of consent in section one is obtained. In section two, there are seven open-ended questions and probes will be included where helpful in the interview guide. Section three aims to gather additional information from comments of participants, and then thanks them for joining the interview. If any participants require a copy of the data analysis report, this will be given to them by the researcher within a one month time frame via e-mail. In addition, the Chinese language introduction letter and interview guide are advanced to Chinese participants, to test the translation. This helps the participants to become familiar with the interview for this research (Appendix 1 and 2, pp. 195-199).

Secondly, with the permission of participants, the researcher will record information from interviews using audio-taping (Creswell 2003, p. 190). Each in-depth interview will be assigned a code, for example ‘Participant 1 Group A, 31 January 2007’ (Groenewald 2004, 14). Similarly, each focus group interview will be assigned a code such as
Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process

‘Participants 1-6 Group A, 1 March 2007’. The tapes will be used to ensure that the researcher does not miss any of participant’s comments. The tapes will be stored in the DBA office at Sydney College of Business and IT (SCBIT) campus. However, the interview will not be taped if it is requested by the participant.

Thirdly, memorandums are another important data source in phenomenology research (Miles & Huberman 1992, p. 64). These comprise the researcher’s field notes recording what the researcher hears, sees, experiences and thinks in the course of collecting and reflecting on the process (Groenewald 2004, p. 13). However, it is important that the researcher maintains a balance between descriptive notes and reflective notes, such as hunches, impressions, feelings, and so on (Groenewald 2004, p. 14). The memorandums must be dated so that the researcher can later correlate them with the data.

Finally, as soon as possible after each in-depth interview and focus group interview, the researcher will listen to the tapes and look at the memorandums in order to analysis the data. This is an important step, as it determines the meaning in the information gathered – in relation to the aims of the study. Thus, the researcher must examine the important information and look for themes, commonalities, and patterns within it.

In sum, data collection for this study is conducted using both in-depth interviews (semi-structured), and focus group interviews (semi-structured). The next section (3.4.3, p. 97) shows the process for the phenomenological data analysis in this research.

3.4.3 Analyse Data: Phenomenological data analysis

In phenomenological studies, there have been specific structured methods analyses advanced, especially by Moustakas (1994). Moustakas reviews several approaches in his book named ‘phenomenological research methods’, in particular his modification of the Stevick-Colaizzi-Jeen method as providing the most practical useful approach for cross-cultural research (Creswell 2007, p. 159). For this reason, the researcher follows the Stevick-Colaizzi-Jeen method by Moustakas (1994), which is as follows:
• The researcher begins with a brief summary of the participants’ profile.

• The researcher then provides a full description of his personal experiences of the phenomenon under the study. This is an attempt to set aside the researcher’s personal experiences so that focus can be direct to the participants with the phenomenon under the research (Creswell 2007, p. 159). This process is named bracketing by Moustakas (1994).

• After, the researcher finds statements about how individuals are experiencing the research topic in groups A, B, C, and D. After this, the researcher will list these significant statements, treating each statement as having equal worth, and works to develop a list of non-repetitive, non-overlapping statements (Creswell 2007, p. 159).

• Next, the researcher will take the significant statements and then group them into larger units of information, called ‘meaning units’ or ‘themes’ (Creswell 2007, p. 159). The researcher lists these units, and then writes a description of the textures of the experience (‘what happened’) (Creswell 2007, p. 159). This way is called a ‘textural description’ of the experience and includes verbatim examples (Creswell 2007, p. 159).

• The researcher then writes a description of ‘how’ the experience happened (Creswell 2007, 159). This is called structural description by Moustakas (1994), and the inquirer reflects on the setting and context in which the phenomenon was experienced.

• Finally, the researcher writes a composite description of the phenomenon incorporating both the textural and structural descriptions (Creswell 2007, p. 159). This passage is the ‘essence’ of the experience and represents the culminating aspect of a phenomenological study (Creswell 2007, p. 159).

• If, however, questions are raised in the study that need clarifying, then another semi-structured, in-depth, interview is warranted to examine the issue more thoroughly (Guion 2007).
The entire analysis process aims to examine the guanxi experience from the people who have produced the experience, rather than imposing other people's interpretations. It should be the interpretations of the participants in the phenomenon under study that define the commonalties of the guanxi experience in the negotiation. In other words, it is not only the researcher's own thoughts of the phenomenon, but the participants’ experiences and the theoretical descriptions of the phenomenon that are under analysis in this research. Therefore, the researcher follows the Stevick-Colaizzi-Jeen method to represents the data analysis.

3.4.4 Train Data Collector: Interviewer skills

Arksey and Knight (1999, p. 8) reported that the validity of a semi-structured, in-depth interviews and focus group interviews depends on the skill of the interviewer, the time available and the rapport that allows subjects to be as informative as they know how. For this reason, the researcher will undergo training and development in research skills provided by his supervisor. This will include skills for introducing the objective and for the review of data collection techniques, items and instruments, and inter-personal communication. In this case, there are five key points the researcher should take into account when developing interview skills:

- Listening to what people are saying (Mason 2002, p. 75). The researcher needs to listen properly, irrespective of whether or not tape recording is used in the interviews with respondents. However, the researcher overcomes this problem through listening training (tapes and videos) from his supervisor.

- It is important to remember what participants have said to the researcher, and also, what questions have already been asked of the respondents (Mason 2002, p. 75). For this reason, the researcher is going to record information by using audio-taping (with participant’s permission) during the interviews. Further, memo can also be useful to record done the questions said by participants.

- Achieving a good balance between talking and listening (Mason 2002, p. 75). The appropriate balance is likely to vary in different situations, and there is no general rule about what researchers should do. Thus, the researcher will be aware of what
participants are doing, and of the implications of their actions during the interview.

- Picking up verbal and non-verbal cues about the social situation, its visual and spatial dynamics, and the mood of participants (Mason 2002, p. 75). Thus, the researcher will be attuned to body language and demeanour so that he can recognise when participants become bored, tired, angry, upset, embarrassed and so on.

- The researcher must avoid the difficulties associated with certain participants dominating the focus group interview (Graig & Douglas 2005, p. 229). In this study, the researcher has overcome this problem through the training from his supervisor.

All of these skills are necessary to handle the social interaction of the interview appropriately. Therefore, if necessary, it is the intention of the researcher to ask for assistance from his supervisor at Southern Cross University.

3.4.5 Verifying Findings

As a qualitative researcher, the aim is to give comprehensive descriptions, so that readers are able to make decisions about transferability of the inquiry results (Creswell 1998). The conceptual analysis must be faithfully derived from the data and checked against the consistency of different data sources (Patton 1990). Moreover, because the meaning of communication depends on knowing the relevant context, and contexts are consciously designed to evoke multiple meanings (Patton 1990), qualitative research must develop thorough and comprehensive descriptions of the context. Under the interpretivism paradigm, the verification of the quality of the phenomenology research, is usually judged on four criteria: credibility, transferability, dependability, and confirmability (Ruane 2005; Trochim 2005; Denzin & Lincoln 1998). The synthesis of this set of criteria is discussed next.
3.4.5.1 Credibility

According to Trochim (2005) and Groenewald (2004, p. 21), credibility emphasises the truth-value of qualitative research and they list a number of means to achieve truth. In this study, the phenomenological research design contributed toward the truth. The researcher outlines a number of strategies for increasing the credibility of this research:

- The use of multiple sources of data will help strengthen the research descriptions (Creswell 2003). In this research, having data from my personal experiences, using experienced participants and documents analysis are all seen as increasing the trustworthiness of the description. These three sources help to develop a consistent justification for the themes pulled out of the data.
- Experiences with a phenomenon are bound to differ between participants. For this reason, quota sampling is advantageous, as the phenomenon is described from completely different viewpoints. This gives the researcher’s interpretations more credibility.
- The longer a researcher spends on interviews and chat room, the more in-depth the understanding of the phenomenon is likely to be. Thus, accurate information about participants’ attitudes, values and opinions can be obtained within a two hour semi-structured, in-depth interview and focus group interview.
- The researcher conducted focus group interviews. The purpose is to increase confidence in the credibility of results from the interviews, rather than simply define data as true (Massey 1999, p. 2).
- Providing quotes from participants throughout the report, adds credibility to the information in data analysis (Boyce & Neale, 2006).
- ‘Member checks’ in the sense of communicative validation of data and interpretations with members of the fields under study (Lincoln & Guba 1985). In this research, the participants will be able to confirm or deny the accuracy of the researcher’ interpretation of what they said by commenting on the draft report. This provides the opportunity for members to clarify any discrepancies and expound on any gaps.
• Regular meetings with other people who are not involved in the research in order to disclose one’s own blind spots and to discuss results with them (Flick 1998, p. 232). The researcher is willing to seek inputs from DBA members/staffs of any Australian and Chinese universities. Further, by attending Southern Cross University (SCU) doctoral symposia presentation the researcher can also obtain feedbacks on his results from his cohorts.

• Researchers must eliminate self reference criterion and avoid culturally offensive behaviour in order to add credibility to this research. The researcher can overcome this problem by focus on ‘bracketing’, in which the researcher set aside his personal experiences, as much as possible, to take a fresh perspective toward the phenomenon under examination (Creswell 2007, p. 59).

3.4.5.2 Transferability
Transferability refers to the degree to which the results of qualitative research can be generalised or transferred to other contexts or settings (Trochim 2005). From a qualitative perspective, transferability is primarily the responsibility of the one doing the generalising (Trochim 2005). Thus, the researcher has developed three strategies for increasing the transferability of this study:

(1) The researcher will enhance transferability by doing a thorough job of describing the research context and the assumptions that are central to the research theme (Trochim 2005).

(2) The researcher needs to know as much as possible about the original guanxi and negotiation situations, in order to determine whether they are similar or not to the findings.

(3) Participants must be individuals who have experienced the guanxi phenomenon being explored and who can articulate their conscious experiences for this research (Creswell 1998, p. 111).
3.4.5.3 Dependability
According to Trochim (2005), the idea of dependability is to emphasise the need for the researcher to account for the ever-changing context within which research occurs. The researcher is responsible for describing the changes that occur in the setting and how these changes affected the approach to the study (Trochim 2005). Thus, the researcher’s main strategy for increasing dependability is to allow independent judges to authenticate the findings by following the trail of the researcher – using a detailed description of how data was collected, how statements were derived and how decisions were made throughout the inquiry (Miller 2007). The researcher’s supervisor has followed the entire process of this research. This assisted in clarifying concepts and issues to improve the quality of the research and its dependability (Miller 2007).

3.4.5.4 Confirmability
Qualitative research tends to assume that each researcher brings a unique perspective to the study (Trochim 2005). Confirmability refers to the degree to which the results could be confirmed or corroborated by others (Trochim 2005). There are a number of strategies for enhancing confirmability:

- The researcher is willing to document the procedures for checking and rechecking the data throughout the study (Trochim 2005).
- The researcher is able to actively search for and describe negative instances that contradict prior interviews (Trochim 2005). After the study, the researcher can conduct a data audit that examines the data collection and analysis procedures and make judgments about the potential for bias or distortion (Trochim 2005).

3.5. Ethical Considerations
Having discussed the entire sampling, data collection, data analysis and verification procedures used for this research, this section discusses the ethical issues involved. According to Babbie (2001 p. 470), all qualitative researchers in social work should give serious thought to ethical issues, particularly as the nature of qualitative research adds to its own complications. Failure to adequately consider ethical research issues has the potential to harm the research participants and infringe upon their rights (Miller 2007).
Thus, the researcher has dealt with four ethical issues pertaining to this phenomenological research, namely: the rights of subjects, the ethical conduct of research, sensitivity to cultural and social differences, and reporting of research findings.

(1) The rights of subjects: The researcher will protect the statutory rights of members of the social community or groups being investigated, avoiding undue intrusion, obtaining informed consent (each participant signed a permission form agreeing to participate), and protecting the rights to privacy of individuals and social groups (Jowell 1986). In addition, according to Renzetti and Lee (1993), qualitative research interviews give inquirers many opportunities to involve the participants emotionally in sensitive topics. For this reason, the researcher does not intend to introduce sensitive topics into the interview gratuitously, such as ‘bribery and corruption in guanxi during negotiations’.

(2) The ethical conduct of research: The researcher has framed the research questions and agenda objectively, so as to widen the scope of social research, and to maintain confidence in the research process. The purpose is to ensure that the conduct, management and administration of research are framed in a way which is consistent with ethical principles and which recognises the limits of competence of each member of the research team (Jowell 1986). Further, as qualitative researchers tend to have a more personal relationship with the research participants, the reciprocity of research will be more keenly noticed among both researcher and participants (Glesne 1999). For this reason, if promises are made (for example, copies of reports or free meals), these promises should always be kept.

(3) Sensitivity to cultural and social differences: The need to remain sensitive to, and cognisant of, social and cultural differences (for example, language, value, social relations, behaviour, and colour), and to consider conflicting interests. For this reason, the researcher asked his supervisor for advice on how to handle the cultural issues in the study. In addition, the translated interview questions were checked from Chinese back into English, in order to test the translation
equivalence.

(4) *Reporting of research findings*: Findings will be completely, widely and objectively reported, with full information on the methodologies employed. This allows the research work to be assessed by the supervisor and increases public confidence in its reliability (Taylor, 2003).

In brief, although there were several ethical concerns in this study, the researcher overcame these with careful planning. Further, the ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee (Appendix 3, p. 203).

### 3.6 Limitations of Methodology

As discussed in section 3.3.6 (p. 85), there are two appropriate research approaches, namely, ethnography and phenomenology to this research. However, due to the time and financial constraints in ethnography approach. The phenomenology approach is chosen for this research.

Further, the limitation of phenomenology is that the participants in the study need to be carefully chosen, ensuring that they are individuals who have actually ‘experienced’ the phenomenon which discussed in section 3.4.1.4 (p. 90). The aim of this research is to find out ‘how to build and manage guanxi network for Australian managers during the negotiation process’. For this reason, the samples were focused on both Australian and Chinese managers who experienced guanxi in the negotiation process. This research is therefore limited to the Australian and Chinese context.

### 3.7 Conclusion for Chapter Three

This chapter provided details of the selection of, and justification for, using phenomenological research. Methodology designs of the phenomenological research were then illustrated outlining (1) how samples were selected, (2) how data was gathered from the in-depth interviews (semi-structured) and focus groups interview (semi-
structured) (3) how data will be analysed using the Stevick-Colaizzi-Jeen method, and (4) how the training was conducted in order to improve the researcher’s interview skills. Furthermore, this chapter also showed how the research was conducted rigorously by illustrating how to achieve credibility, transferability, dependability and confirmability. Finally, the ethical considerations and the limitations with this study were discussed.

The next chapter analyses the data obtained from in-depth interviews and focus group interviews.
Chapter Four: Data Analysis

4. Overview of the Data Analysis

The phenomenological method was employed in analysing participant’s transcripts (Creswell 2007, p. 270).

Chapter Three discussed and justified the research methodology adopted for this phenomenological research. This chapter will present the analysis of the results from the interviews by implementing the Stevick-Colaizzi-Jeen method as mentioned in Chapter Three (p. 97). The chapter consists of six main sections, as shown in table 22 (p. 108). Section 4.1 (p. 109) aims to provide a brief summary of the participants and their background. Section 4.2 (p. 111) describes the researcher’s personal experiences in order to set aside his experiences so that focus can be directed to the participants. Section 4.3 (p. 113) focuses on highlighting ‘significant statements’ with ‘formulated meaning’ that provide an illustration of phenomenon in guanxi during the negotiation process. The researcher then develops ‘clusters of meaning’ from these significant statements into themes. These significant statements and themes are then used to write the textural and structural descriptions that are relevant to the research questions as described in section 4.4 (p. 116). Finally, the researcher then provides a composite description in order to present the ‘essence’ of the phenomenon in section 4.5 (p. 144).
Table 22: The Structure of Chapter Four

<table>
<thead>
<tr>
<th>4. Overview of data analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Participant profile</td>
</tr>
<tr>
<td>4.2 Bracketing</td>
</tr>
<tr>
<td>4.3 Significant statements</td>
</tr>
<tr>
<td>4.4 Theme clusters to the research questions</td>
</tr>
</tbody>
</table>
| 4.4.1 Research question 1: How do Australian managers and Chinese managers differ in their perception of guanxi?  
  (Themes 1-4) |
| 4.4.2 Research question 2: How does guanxi affect the negotiations of Australian and Chinese managers, in the business environment?  
  (Themes 5-8) |
| 4.4.3 Research question 3: What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiation with each other?  
  (Theme 9) |
| 4.5 Composite Description |
| 4.5.1 Summary for group A (Australians working in Australia) |
| 4.5.2 Summary for group B (Australians working in China) |
| 4.5.3 Summary for group C (Chinese working in China) |
| 4.5.4 Summary for group D (Chinese working in Australia) |
| 4.5.5 Summary for the first research question |
| 4.5.6 Summary for the second research question |
| 4.5.7 Summary for the third research question |
| 4.5.8 Summary for triangulation |
| 4.6 Conclusion for chapter four |

Source: Developed for this study
4.1 Participants’ profiles

The researcher followed up the Stevick-Colaizzi-Jeen method to represent the data analysis which was deemed appropriate, as discussed in Chapter Three. The data analysis begins with a brief summary of the participants’ profiles (Table 23, p. 109).

In this research, participants are identified by a code in order to protect their confidentiality. The details of the enterprises they worked for are not identified to further protect their confidentiality, as this was a concern raised by the Human Research Ethics Committee while securing ethics approval for conducting this research (Wong 2006, p. 89).

Table 23: Participants’ Profiles

<table>
<thead>
<tr>
<th>Code</th>
<th>Sample groups</th>
<th>Position</th>
<th>Size of the enterprise</th>
<th>The type of Industry</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Australian working in Australia (Group A)</td>
<td>Operations Manager</td>
<td>MNEs</td>
<td>Financial</td>
<td>Male</td>
</tr>
<tr>
<td>B</td>
<td>Australian working in Australia (Group A)</td>
<td>Business Development Manager</td>
<td>MNEs</td>
<td>Automobile</td>
<td>Male</td>
</tr>
<tr>
<td>C</td>
<td>Australian working in Australia (Group A)</td>
<td>Project Manager</td>
<td>SMIEs</td>
<td>Communication Technology</td>
<td>Female</td>
</tr>
<tr>
<td>D</td>
<td>Australian working in Australia (Group A)</td>
<td>Project Manager</td>
<td>MNEs</td>
<td>Communication Technology</td>
<td>Female</td>
</tr>
<tr>
<td>E</td>
<td>Australian working in Australia (Group A)</td>
<td>Sales Manager</td>
<td>SMIEs</td>
<td>Clothing</td>
<td>Male</td>
</tr>
<tr>
<td>F</td>
<td>Australian working in Australia (Group A)</td>
<td>General Manager</td>
<td>SMIEs</td>
<td>Education</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>A)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G</td>
<td>Australian working in China (Group B) General Manager MNEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>Australian working in China (Group B) Project Manager MNEs</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Australian working in China (Group B) Project Manager MNEs</td>
<td></td>
<td></td>
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<tr>
<td>J</td>
<td>Australian working in China (Group B) Brand Manager MNEs</td>
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<td></td>
<td></td>
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<tr>
<td>K</td>
<td>Australian working in China (Group B) Sales Manager MNEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>Australian working in China (Group B) Financial Manager MNEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Chinese working in China (Group C) Marketing Manager MNEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>Chinese working in China (Group C) General Manager MNEs</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>O</td>
<td>Chinese working in China (Group C) Sales Manager SMIEs</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P</td>
<td>Chinese working in China (Group C) Marketing Manager SMIEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q</td>
<td>Chinese working in China, (Group C) Brand Manager SMIEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>Chinese working in China (Group C) Sales Manager SMIEs</td>
<td></td>
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<tr>
<td>S</td>
<td>Chinese working in Australia (Group D) Financial Manager MNEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T</td>
<td>Chinese working in Australia (Group D) Accounting Manager MNEs</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
In summary, there were a total of 24 participants with at least one year of experience with guanxi in the negotiation process; sixteen (67 percent) of the participants were male and eight (33 percent) were female. There were predominately six (25 percent) participants in each group. All participants were employed as middle/senior managers (75 percent / 25 percent) in MNEs (63 percent) or in SMIEs (37 percent) within fourteen different types of industries. The total time taken to conduct these interviews was four months, and the duration for each interview was 1.5 hours in average.

4.2 Bracketing
This section aims to describe the researcher’s personal experiences with guanxi in the negotiation process. This is an attempt to set aside his personal experiences so that focus can be directed to the participants with the phenomenon under investigation (Creswell 2007, p. 159). The researcher is a doctoral candidate at Southern Cross University. Through his life and work experience in China, the researcher has realised that negotiations with the Chinese are not an easy task for Australian managers. It requires a
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blend of psychological and cultural knowledge that can usually only be gained from years of experience, as described below.

First of all, the Chinese believe that all elements of life are interconnected. Guanxi is the most suitable concept to explain this kind of phenomenon in China. As mentioned previously, there is no direct English translation for the word guanxi (Chen 2001, p. 46). For this reason, the researcher has defined guanxi as a kind of natural relationship and connection with a certain degree of understanding, trust, and friendship. For example, A and B established a mutual trust relationship, because they were classmates in high school. This kind of connection and relationship then creates positive opportunities once they are involved in any kind of activity later in life, such as business, negotiations and so on. This can also explain why Chinese people always say that strong guanxi can shield negotiations from unexpected challenges in China.

A second interpretation of guanxi relates to achieving success, as the Chinese people rely on guanxi to gather long-term mutual benefits from each other. This kind of obligation must be repaid; however, there is no specified timeframe for the return of a favour (Chen 2001, p. 49). As one Chinese businessman says, ‘owing someone a favour is like giving that person a blank check without an expiration date’ (Chen 2001, p. 49). However, the Chinese tend to have long memories, and they will return a favour to their friends within three years, from the researcher’s personal experience. Thus, this is particularly true when kindness is rendered during times of adversity (Chen 2001, p. 50).

A third interpretation of guanxi is that Australian enterprises normally want quick profits, whereas investment in China is usually regarded as a long-term payback. Australian negotiators are sometimes too quick to focus, and refuse to deviate from what they believe to be the best outcome. For this reason, the researcher states four principles for coming to mutually acceptable agreements in China:

- It is better to talk around a subject rather than address it directly.
• One should focus on guanxi rather than on quick profits or taking advantage of the weakness of others.
• One should invent options for mutual gain, and insist on using objective criteria (Hofstede 2001, p. 436)
• One should be a person’s friend continuously (that is, create a long-term, interesting relationship).

Thus, the main strategy of successful negotiation in China is to understand its culture and the concept of guanxi. Therefore, managers need to understand what Chinese and Australians think of one another when they first enter into a negotiation, and then begin to understand what happens within the negotiation proper. As noted by Hofstede (2001), there is no right or wrong, better or worse, it is just a different culture.

Finally, thanks to the new technology, many Chinese use chat rooms and e-mail to build up guanxi in the twenty-first century. It can also help in negotiating business deals without taking geographical barriers into account. As March and Wu (2007, p. 127) state, guanxi requires elements of mutual trust and obligation to be in place. Thus, the internet is one of the best tools to maintain guanxi with business partners, from the researcher’s personal experience.

In summary, the researcher has described his personal experiences in order to enter the unique world of the participants with the phenomenon under investigation, described in later sections (4.3 – 4.6, pp. 113-148)

4.3 Significant Statements
The aim of this section is to develop clusters of meaning from significant statements into themes. These statements were about how participants experienced guanxi during their negotiation processes.

In this study, the researcher lists 67 significant statements and gives them equal value without repeating or overlapping statements. These significant statements are simply
gleaned from 24 verbatim transcripts and Appendix 4 (p. 206) indicates these significant statements with their formulated meanings. The following table provides an illustration of this process:

**Table 24: An Example of Significant Statements for this Research**

<table>
<thead>
<tr>
<th>Group / Participant</th>
<th>Significant Statement</th>
<th>Formulated Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group C/Participant M</td>
<td>I believe that guanxi is the kind of experiences through a period of a lifetime, and then people develop it into a steady relationship.</td>
<td>Experiences and long-term relationship</td>
</tr>
<tr>
<td>Group C/Participant P</td>
<td>Guanxi is important wisdom for the Chinese people, and it includes several requisites such as emotion, feeling, trust, and communication with a smile.</td>
<td>Emotion, feeling, trust, communication, and smile</td>
</tr>
</tbody>
</table>

*Source: Developed for this study*

Next, the researcher carefully examined the identified formulated meanings, and clustered the statements into themes. Appendix 5 (p. 219) shows that nine themes emerged from this analysis about how participants experienced guanxi during the negotiation process. Table 25 (p. 114) provides an example of this process:

**Table 25: An example of theme with associated formulated meanings**

<table>
<thead>
<tr>
<th>Theme 2: The perception of guanxi from group C’s (Chinese working in China) perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiences and long-term relationship</td>
</tr>
<tr>
<td>Emotion, feeling, trust, communication, and smile</td>
</tr>
</tbody>
</table>

*Source: Developed for this study*
Finally, a total of four focus groups were examined to triangulate the findings. The structure and format of the focus group was based on Dick (2002), and this method is also recommended by academics at Southern Cross University (Appendix 6, p. 222).

In brief, each focus group consisted of six participants (three males and three females) who are working as managers in either MNEs or SMIEs, and the reason for ‘the focus group and the confidentiality of data integrity’ were explained to the participants from the researcher (Wong 2006, p. 94). Whilst the focus group was structured to test the findings in relation to the research questions, it also allowed the participants to express their opinions freely at the end (Wong 2006, p. 94). As Marvasti states: ‘In focus groups, the goal is to let people spark off one another, suggesting dimensions and nuances of the research problem that any one individual might not have thought of’ (2004, p. 24). The benefits of focus groups is that the individuals in the group can ‘piggy-back’ and ‘leapfrog’ off one another’s ideas (Cavanaugh, Delahaye & Sekaran 2001, p. 154), thus generating a richer accumulation of data.

However, as individual responses are not independent of one another in focus group. Krueger (1998) notices that unexpected diversions can occur in a focus group such as power struggles among participants. Based on this evidence, the ground rule of ‘not to convince or impose a personal view on others’ was explained and was accepted by the participants (Wong 2006, p. 94). The findings were analysed and were grouped under data analysis for each individual research question in this research (Appendix 7, p. 223).

In addition, as there are 50 percent of interviews were conducted in Chinese language. It is important to ensure accurate translation so that the researcher is able to maximise the level of validity for this research. Further, according to Fletcher and Brown (2005), because of the influence of culture, simple translation from Chinese into English rarely conveys the meaning accurately. All transcripts were thus translated through the method named ‘back translation’. According to Craig and Douglas (2005, p. 256) ‘back translation’ is a translation of the translated text back into the language of the original text. Following this procedure, Chinese transcripts were translated into English language...
by the researcher as he is a native speaker of the Chinese language. Afterwards, this version is translated back into the Chinese language by a professional translator (Accreditation member by NAATI – The National Accreditation Authority for Translators and Interpreters Ltd). Finally, two versions are then compared in the Chinese language to check for errors and the quality of the translation.

4.4 Theme Clusters to the Research Questions

This section aims to write a description of what and how the guanxi phenomenon was experienced by the individuals investigated that is relevant to the research questions after triangulation of the findings was made.

4.4.1 Research Question 1: How do Australian managers and Chinese managers differ in their perception of guanxi?

4.4.1.1 Theme 1: The perception of guanxi from group A’s perspective (Australians working in Australia)

From group A, Participants B, C, and E stated that ‘relationship’ is the key to guanxi. This kind of relationship is like creating a friendship, and then using it to increase the chances of winning business negotiations in China. For example, Participant B pointed out that guanxi is based on friendship, which means having dinner or drinks with the business partners in order to get things done.

Participants A and D translated guanxi as networking. As Participant D pointed out,

*The more people you know in China, the more people you can positively influence when negotiating with the Chinese. The Chinese would only give a positive outcome when you are their friend or friend’s friend in the negotiation process. For this reason, I strongly believe that guanxi is a kind of networking, rather than something you do only when you have no choice, for example, corruption.*
Moreover, Participant A commented that ‘guanxi is an interaction between you and other people in terms of networking or social networking in Australia, and this can explain why building up guanxi takes effort and time’.

On the other hand, Participant F argued that if guanxi is a kind of relationship and networking only, then people may ignore the additional criteria within the Chinese culture, such as reciprocity, mutual obligations, and so on, which are used to build and maintain guanxi. Furthermore, Participant E explained that ‘guanxi is kind of unique culture in China; the keys used by Australian managers to define what guanxi is can be very different due to the differences in experience, language, and so on’. Thus, it is difficult to define what constitutes guanxi, as every participant in group A has his/her own interpretation.

4.4.1.1 Triangulated findings for theme 1

The data obtained from the focus group agreed with the above findings. However, perceptions of guanxi were not in agreement with the evidence. Participants further explained that it is difficult to define what guanxi is due to the differences in personal experiences, situation, and perception.

4.4.1.2 Theme 2: The perception of guanxi from group B’s perspective (Australians working in China)

In this theme, participants focus on Australian managers who are currently working in China. Research findings showed that group B viewed guanxi as a kind of:

- Long-term relationship and connection between you and others, such as friendship with a certain degree in communication (Participant G).
- Mutual relationships gradually developed from communication without materialism ideology (Participant H).
- Contact between people, and each individual mutually conveniences in any kind of activity through this kind of interaction in China (Participant I).
• ‘Sympathy’ signifies trust, acceptance, experience, support, and obligation in Chinese society (Participant J).

• Social networking with higher degrees of involvement compared to Australia in communication, friendship, mutual benefits, and so on (Participant K).

• Harmonious relationships in both inter-personal and inter-organisational relations (Participant L).

Furthermore, all participants agreed that guanxi is a difficult Chinese word for most of the Australian managers due to the language barrier. However, guanxi can also be understood through working experiences in China. For example, Participant H said: ‘The time when I realised that guanxi has significant influence on my work is when I became a manager in China. For this reason, I asked my Chinese partner what guanxi is and how it works in Chinese society. Today, I have a better understanding of the Chinese word guanxi compared to the old time’. Thus, group B has defined guanxi in the agreement of ‘long-term inter-personal relationship, connection, sympathy, social networking and the potential assistance that may be provided to you by someone, which can be anticipated from your innermost connections, such as friendship, family, and love without payback in money’.

4.4.1.2.1 Triangulated findings for theme 2

Again, the data obtained from the focus group agreed with the above findings. Further, the perceptions of guanxi were in agreement with the evidence. Participants believed the following in terms of guanxi:

• It is a form of long-term inter-personal relationships, connection, sympathy, and social networking;

• It encompasses potential assistance that may be provided to you by someone, which can be anticipated from your innermost circle, such as friendship, family, and love; and

• There is no relationship with monetary and guanxi in payback.
4.4.1.3 Theme 3: The perception of guanxi from group C’s perspective (Chinese working in China)

In the sense of sociology, guanxi is a unique form of interaction in Chinese society. In a traditional Chinese society, social relationships are formed through the involvement of one another, an accumulation of years of hard work, and a network in society is organised by each and every contact between individuals. For this reason, Participants M, N, O, P, Q and R pointed out that guanxi is not formed through drinking and having pleasure together; it is in fact based on the four elements which are as follows:

Element 1 – Aim, situation and requisites of guanxi: The aim of guanxi is to establish a happy life, a harmonious organisation, friendship, a stable society and world peace. However, according to Participants M, N, O, P, and Q, guanxi also consists of several requisites. It is important to understand these requisites in order to know the true meaning of guanxi. In general, guanxi is the accumulation of experiences developed into profound and steady relationships in the Chinese mind. Moreover, different guanxi produce different emotional experiences. For example, a harmonious and intimate relationship between two parties will definitely let people enjoy the good experience in China (Participant O). On the other hand, if the relations of both sides are not harmonious or become estranged, then an unpleasant, strange or abominating feeling will be experienced by them (Participant O). Thus, the Chinese view emotion and behaviour as the first two requisites of guanxi.

Further, the situation of guanxi is often decided on by the satisfaction degree needed. If the result of exchanging interflow can satisfy the requirements of both parties, the relations between them will inevitably tend to be harmonious and intimate; if, the exchange is to the contrary, then their relations will become disagreeable, estranged, or the two parties may even take opposing positions. For example, Participant Q noted that ‘truly knowing oneself is the beginning of establishing sound guanxi’. By transforming your passive behaviour into a positive attitude, you keep a positive and optimistic mindset, and discover your own merits and weaknesses to create a pleasant appearance for attracting more people to come close to you. For this reason, Participants M, N, and P
stated that the ‘essential condition for establishing guanxi is communication with a smile’. This is aimed at reducing the awkwardness of meeting strangers for the first time by offering a simple salutation, and people can feel your kindliness naturally (Participant N). Thus, other requisites of guanxi are communication and interaction.

Apart from emotions, behaviour, communication and interaction, Participants M, N, O, P and Q suggested that everyone should be worthy of the other’s trust, and more importantly, be the one who knows how to respect and appreciate others. It is important to always keep a grateful heart and an attitude to ‘devote happily, endure willingly’. Moreover, do not consider the assistance offered by others is something gratis, and never think you are capable of completing everything. Furthermore, Participant Q pointed out that everyone should offer service and assistance with enthusiasm in order to maintain good guanxi wholeheartedly. On the other hand, if one party always plays the role of offering, while the other is accepting, their relations will disintegrate sooner or later (Participant Q). Thus, it is important to ask colleagues, partners, friends, and so on about their expectation, wish, or goal, and show concern with all your heart, so they can experience your care (Participant Q). In other words, expectation is another requisite of guanxi.

Should someone be unable to identify others, then he or she would better pay more attention to his or her expressions. Participant Q informed that: ‘to learn how to speak means learning how to keep silent in China’. This means that (1) people should try to get rid of their shortcomings of constantly making negative judgments, for excessively using negative phrases would be detested by people, and (2) do not show off your own specialty, let others have the chance to express theirs, too. Participant Q added that people should always remember to approve the existence value of others. However, being humble does not mean to be modest in China. The Chinese think that they should use proper words without hurting others to express their position at the right time, and the purpose is to refuse politely something they are unwilling or unable to accept. Participant Q explained that to ‘over-tolerate an insatiable person would lead to an endless
involvement and more unnecessary agony’. Thus, Participant Q recommended that not being impetuous, capricious, and selfish are the final requisites of guanxi.

Element 2 – Three Powers in morality, attraction, and concern: The Chinese always say, ‘*Yuan Qing Bu Ru Jin Lin* (远亲不如近邻).’ This means that frequent contact is always necessary in associating with people. In other words, guanxi could steadily last through frequent contact. However, Participants M, N, P, and Q argued that the Chinese care about whether they are getting enough attention, rather than knowing each other. For this reason, N stated that the solution of care is to employ the three powers to facilitate guanxi, namely, moral power, attraction power, and communication power, which are outlined below.

First, the core elements of moral power are honesty and keeping one’s word. To be honest is to be loyal, upright, as good as one's word, and deeds should accord with words. As Participant N noted, Confucius taught his disciples that people can achieve anything with honesty. Besides, Chinese parents ought to behave themselves in order to have a positive influence on their children (Participant N). Moral power is of great importance, as summed up by Participant M: ‘People have to keep every word they say, and never go back on a promise’.

The second component is attraction power, which supports the association of people, and the core element of attraction is to improve one’s value. For example, Participant N said ‘when someone applied for a position in a company and he or she was hired, it is because he/she has useful value (for example, profession in management) for this company. It’s the same situation with associating with people, if there is a value attached to one another, a potential long-term relationship can be established’. Thus, it is vital to progress one’s value while improving the attraction.

The third component is concerning power, which, according to Participant N, can be divided into three aspects as follows:
• The first is basic concern, since if you have a primary understanding about others, then it is necessary that you pay a certain degree of concern for them and their lives.

• The second is to concern for their desires. We should express our concern whenever it is needed, the so-called ‘to give timely assistance’. In addition, we are supposed to find something not being desired yet.

• The final is actually the most effective way to improve our inter-personal relations, referred to as ‘unimaginable concern’. This aim is to let others feel that you are the one to whom they should be grateful for the whole life, but such relations are not ordinary ones.

Thus, it is important to be concerned for others in order to have real guanxi in China (Participant N).

Element 3 – Role and environment conditions: Another element of guanxi refers to role and environment conditions. People and environments interact with each other, and guanxi changes along with the change of environment. According to Participant O, ‘The status of guanxi is influenced by environment, and different roles have different functions and attitudes. It is important to identify people’s roles in China first, and then establish an appropriate guanxi’.

For example, Participant Q explained, ‘She made a big mistake. At that time, she was too busy associating with the officials of the new generation. However, these young generations were promoted quickly in just a few years, for example, a staff member now turned out to be a senior officer in her company’. In other words, it is important to establish guanxi with new generations. Moreover, Participant M pointed out to ‘never appoint one single person to undertake all the social contacts’. Instead, each member in the organisation should have the opportunity to perform business associations for extensively absorbing knowledge, and for avoiding the bottleneck formed by one certain staff managing all the guanxi.
Furthermore, age is another factor which individuals need to take into account in their roles. For example, Participant M believes that, ‘Professional ability and healthy physical strength are requisites for earning money for people between 20-30 years old; good guanxi with others are for those between 30-40 years old; while using money makes more money is the strategy for people of 40-50 years old’.

This means that by dividing 30 years of a career into three stages, the first ten years should be focused on the training of professional ability (Participant M). Young people in this stage are not required to put too much emphasis on building guanxi, but use every opportunity to do their best, and a good guanxi would be established naturally (Participant M).

In the second period of ten years, professional ability and guanxi are of equivalent importance (Participant M). In addition to guanxi set through contacting others in the work domain, a personal social circle can be developed as well. It is a great opportunity to learn methods of interacting with various types of people equipped with different expert abilities (Participant P).

In the last ten years of a career, guanxi is superior to expert ability (Participant M). Individual subordinates would usually perform the expert task following their indications, and the value of their professional career can be progressed by guanxi (Participant M).

Thus, Participants M and P suggested that it is important for people to understand their roles in the Chinese environment and then establish an appropriate guanxi. Since the situation of guanxi is the fruit of years of devotion, either one single guanxi (for example, you and your friend), or a network of guanxi (for example, you, your friend and his/her friend), all require long periods of devotion, attention and cooperation (Participants M and P).

Element 4 – Law: The final element of guanxi is law. Most participants such as M, N, O, P, and Q believed that guanxi should take into account the Chinese legal system. For
example, Participant P pointed out that the Chinese central government regards law as the most important factor in any business, social activities, and so on. For this reason, everything should be reasonable and compliant with the law in China.

Unfortunately, Participant R also pointed out that the law system is not yet complete in China, and that there is a website recently set as the ‘first guanxi trading platform’ which offers guanxi demanded through the exchange of money (See http://www.zhike.cn). People who post wanted ad pay certain amounts of remuneration, and the website gets a 20 percent commission on each deal concluded (Participant R). Obviously, those who wish to pay remuneration are unable to find any guanxi in their lives, so they put ads on the website with the objective of having more guanxi (Participant R). Participant R also reported that, ‘As a market is created by demand, buying and selling behaviour is quite an effective method for building up guanxi with others’.

However, Participants M and N argued that posting ads on the website for guanxi could result in the disclosure of one’s own information; it is a grey area for doing business in China, and this should not be encouraged. Thus, it is important that individuals should obey the law when they want to build up guanxi with the Chinese (Participants M and N).

According to the above information, every element is closely connected with the other, and the importance of their close relations is definitely worthy of special attention. Based on evidences, group C has defined guanxi in the agreement of ‘an interactive relation of various acts such as communication, expectation, attraction, devotion, attention and cooperation expressed through emotion, moral, and right behaviours under the Chinese law between two or more people without impetuous, capricious, selfish materialistic manners during their lifetimes’.

4.4.1.3.1 Triangulated findings for theme 3
All participants were agreed with the findings from the in-depth interviews, and strongly believed that the real guanxi is not an exchange of materials, but needs to take account of:
• behaviour, emotion, interaction, communication and expectation without impetuousness, capriciousness, and selfishness;
• moral power, attraction power, and concern power;
• long-term relationships with devotion, attention and cooperation; and
• Chinese law.

4.4.1.4 Theme 4: The perception of guanxi from group D’s perspective (Chinese working in Australia)
In this theme, all participants perceived that guanxi is based on mutual benefit and inter-personal relationships.

Participants S, T, and V pointed out that ‘mutual benefit’ is the core value of guanxi. Participant T explained that ‘it is like partnership and cooperation so that people are able to achieve their needs and wants within the Chinese society’.

Furthermore, Participant W pointed out that mutual benefit does not always signify that there are no sentimental interactions between two parties. For this reason, Participant U noted that, ‘Although guanxi originated from mutual benefits, some sentimental interactions would result from reciprocal trust and familiarity of both parties, referred to as inter-personal relationships’.

Participant V explained that ‘inter-personal relationships are normally based on the sentimental interflows. People experience support, concern, attention, understanding, and compassion offered by others and then they may feel satisfied and pleased, as well as mental relief”. Another example is provided by Participant X: ‘Sharing your joyfulness with others, having comfort from others when you are in distress, and getting assistance while in difficulty, are common behaviours manifested by those with inter-personal relationships’. Thus, all participants from group D are in agreement with the following formula:

\[ \text{Guanxi} = 60 \text{ percent mutual benefit} + 40 \text{ percent inter-personal relationship}. \]
4.4.1.4.1 Triangulated findings for theme 4
The data obtained from the focus group agreed with the above findings, and the perceptions of guanxi were in agreement with evidence during focus group interview. Participants believed that ‘guanxi is a kind of inter-personal relationship with a higher degree of involvement in mutual benefits’.

4.4.2 Research Question 2: How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?

4.4.2.1 Theme 5: Guanxi in the negotiation process from group A’s perspective (Australians working in Australia)
All participants in group A believed that guanxi does affect the negotiation process in China. For example:
- Guanxi is considered one of most important assets in China due to the social criteria such as inter-personal relationships, reciprocal networks, high context culture in communication, and so on (Participant A).
- Guanxi helps parties to exchange market information during the negotiation process (Participant B).
- Guanxi can also help people to reduce negotiation conflicts by understanding each other through communication (Participant C).
- I definitely think that guanxi helps in business negotiations, because it means you are able to communicate in mutually comfortable conditions (Participant D).
- Guanxi help us to create trust during the negotiation process (Participant E).
- The parties and power are distributed unequally in China. This is the reason that guanxi helps managers to solve problems during the negotiation process (Participant F).

However, participants such as B, C, D, and E believed that guanxi does not affect the negotiation process in Australia. For example, Participant C said, ‘I don’t think we ever need guanxi in negotiation, we are here to succeed in our goals and outcomes, not in
friendships’. Moreover, Participants B and D explained that ‘we often talk timelines, prices, teams, goals, and outcomes during business negotiations, not guanxi in Australia’. Further, Participant A also pointed out that internal factors such as corporate culture (for example, negotiation styles) and the available resources (for example, information) lead Australian managers to focus on outcome rather than guanxi during the negotiation process. For this reason, Participant E observed that Australian managers can always succeed in negotiations without taking guanxi into account in Australia.

It is worth noting that some participants in this group suggested that guanxi also play a role in Australia. For example, A and F argued that guanxi does affect the negotiation process in Australia, but that Australian managers do not often realise it. Participant A explained:

> It is easier to convince friends rather than strangers during the business negotiation. For this reason, negotiators often asked other parties to have some drinks or play golf before and after the negotiation in Australia. However, the difference is that Australian managers call it ‘enhancing the relationship’ or ‘networking’ rather than using the Chinese word ‘guanxi’.

On the other hand, if guanxi refers to relationship or networking, then it may ignore the cultural elements such as reciprocal network and so on in China (Participant B). Based on this information, Participant F explained, ‘It is the cultural things; managers just have to build up guanxi during the negotiation process in China, but not in Australia’. In other words, the degree of involvement in guanxi during the negotiation process is lower in Australia (Participants A and F). Thus, there is a possibility that guanxi affects the negotiation process under different packages (for example, language and involvement) in Australia.
4.4.2.1.1 Triangulated findings for theme 5
The findings agreed totally with the data collected and analysed above. Further, all participants strongly believed that guanxi plays more important role during the negotiation process in China because of the influence from both social and cultural variables.

4.4.2.2 Theme 6: Guanxi in the negotiation process from group B’s perspective (Australians working in China)
In this cluster, all participants believed that guanxi does strongly affect business negotiations in China. Some comments from group B are quoted below to illustrate this point:

- ‘Guanxi represents trust in negotiation. If there’s no trust, no business negotiation would be done in China’ (Participant G).
- ‘If a friend introduces one manufacturer to you, then you’ll have a better chance than others to succeed in bargaining during the negotiation process (Participant H)
- Guanxi is vital and effective for solving the problems such as buying and selling within the Chinese market’ (Participant I).
- The significance of guanxi will never fade out. As the Chinese always say, ‘sympathy, reason, and law’. Clearly, guanxi is a kind of sympathy which plays a more important role than law does during the negotiation process in China (Participant J).
- ‘I know lots of suppliers who often offer similar or even the same products in China. My established guanxi could support me for further understanding the product’s quality following from the negotiation through my business partner’ (Participant K).
- ‘If you are a foreigner without any true friends, it would be very hard for you to trust anyone in the Chinese society where guanxi is the top factor in business negotiation’ (Participant L).

Furthermore, Participant L said: ‘Although I believe guanxi does affect business negotiations in China. It is an irresponsible attitude to terminate discussions without
having solved the problem, and trying to avoid the question, lacking a sense of responsibility’. Further, Participant L explained:

\[I \text{ believe all the dialogues must be clear and explicit, without considering too much about the person involved. Unfortunately, this kind of ideology did not work well in China, because they have their own style of doing business negotiations.}\]

However, Participants G and I argued that we should not blame others for depending on guanxi during the negotiation process. Participant I explained, ‘We have to respect the values, ethics and cultures of others when we are doing business in other countries. Based on evidences, there is no right or wrong, it is just different in negotiation style’.

Additionally, all participants believed that guanxi does not affect the negotiation in Australia. For example, Participant H said: I always ensure that in negotiating with my business partners, I follow up the social and company laws in Australia.

Further, Participant I explained, ‘We are more willing to emphasise the outcome during the negotiation process in Australia’. Thus, guanxi does not affect the negotiation process in Australia from group B’s perspective.

4.4.2.2.1 Triangulated findings for theme 6

The findings agreed totally with the data collected and analysed above. All participants further explained that guanxi does strongly affects the negotiation process in China, due to the differences in social and political variables.

4.4.2.3 Theme 7: Guanxi in the negotiation process from group C’s perspective (Chinese working in China)

In this theme, all participants believed that guanxi does affect the negotiation process in China, but not in Australia. This view was supported by five principles as follows:
Principle 1 – Reciprocity, favour and limitation: The Chinese view negotiation as a kind of reciprocal activity. This kind of reciprocal activity leads the Chinese to enhance guanxi with each other, and then to achieve their goals in business negotiations. For example, Participant P provided the following two groups of dialogues:

A says: You have done me favour in the past. For this reason, this is my turn to offer you something back.
B says: It is alright my friend. However, could you offer my company a lower price for these raw materials?
A says: No problem, it is my pleasure to do so.

Participant P informed that ‘the Chinese use the ideology of reciprocity as an exchange of favours, based on mutual obligation, and then provide their friends or partners with a high degree of satisfaction in the negotiation outcome’. As summed up by Participant M:

The highest state of guanxi is mutually beneficial, rather than the lobby of a single party. Be happy to share with others. Regardless of the information, earning profits, or job opportunity, the one who is willing to share with others is always the one who gains the most in China.

In addition, when the Chinese ask for a favour, they do consider the other parties’ limitations. For instance, Participant N said: ‘If I have $10,000 deposited in the bank, then it would be simple to withdraw $500 from it. In contrast, if my friend asks me to lend him $20,000, then it is clear that I cannot make it, even if I owe him something from the past’. Based on this suggestion, Participant M also stated that one should ‘be faithful to one’s word when negotiating with the Chinese’.

Principle 2 – Knowledge, trust, opportunities, friendship and credibility: The findings show that most of the participants such as M, N, O and P agreed that it is important to have knowledge about other people and about oneself in order to earn trust during the negotiation process. They also suggested that managers should try to let their business
partners understand that they are reliable and that their characters and behaviours are honourable. Based on evidences, Participant N suggested that if the other parties like fishing, then you should go fishing with them.

Furthermore, Participant N also stated that managers should try to understand their clients and should not scheme too seriously about earning profits by regarding their clients as friends so that guanxi can be built up naturally. For example, Participant P explained: ‘If client A trusted you as a reliable person, he/she will often introduce other clients to you and it is positive outcome of guanxi from negotiations in the past’. Thus, Participant M pointed out that:

> knowing how to establish an image worth trusting is the key to producing a positive cycle of competiveness through guanxi when negotiating with the Chinese. If only 70 or 80 percent of our words can be trusted, then the more people we know, the more negative effects we will get.

Principle 3 – Harmonisation, uncertainty, collectivism, communication and language: The Chinese think that social interest is higher than individual interest. Participant P believed that it is safer to follow the words or behaviour of others, and that most Chinese are not used to being praised or criticised during the negotiation process. Based on this information, Participant N explained that collectivism leads the Chinese to behave in a way that Geert Hofstede called low uncertainty avoidance in negotiation.

Furthermore, Participant P also pointed out that the pursuance of ‘harmonisation’ is regarded as supreme condition in Chinese society, while language function is suppressed to a certain degree. Participant P explained it in this way: ‘The method of transmitting a message among the Chinese is said to be meaning is implied. What is unsaid is always more important and has higher actual significance than the words spoken’. Further, Participant Q said: ‘Only the Chinese are equipped with such unique talents for deciphering language under the influence of 5,000 years of history in China. Anyone who has not the ability to decode such implications would be regarded as an outsider’.
In contrast to Australia, Participant O noticed that ‘most Chinese think that their Australian partners often express their opinions in a straightforward manner. Australian managers would directly answer ‘no’ if he or she disagrees with something’. However, the Chinese think that Australians always express themselves directly by using language and this kind of negotiation obstacle increases difficulties when they negotiate with others (Participant O). Under such situation, Participant N pointed out that to answer a question clearly and explicitly is extreme in the Chinese society. Thus, negotiation obstacles result from linguistic differentiation in cross-cultures.

Principle 4 – Status, power distance, hierarchy and face: Participants such as M and N believed that negotiation is usually indirect or even private between higher level and lower level managers in China; the purpose being to maintain harmonious relationships and give face to the higher status managers. For example, Participant Q said: ‘In China, if a lower manager talks directly to higher level managers in front of the public, this means he/she has failed to show respect for their seniors. In contrast, Australian managers prefer the work to be set out clearly and explicitly. The lower level manager has the right to discuss any kinds of problems with the top manager in order to enhance the performances more effectively and efficiency’. Participant P explained: ‘This kind of difference often causes Australian managers to think that Chinese are often trying to avoid the problems, and end a conversation before resolving the conflicts during the negotiation process’. Thus, it is important to respect and adopt the cultural differences between both parties.

Principle 5: Relationships and the focus on the deal: Participants such as M and P believed that if there is an unreasonable request from an Australian or a Chinese partner during the negotiation process, it is not because he or she has an unreasonable request, but rather because the Chinese feel that it is unreasonable. Participant P noticed that this issue can be understood by the following 2 groups of dialogues:

\[\text{Group A}\]

\text{Chinese: ‘I would like to have 20 percent discount from you.’}
Australia: ‘No, I am sorry that I cannot do that for you.’
The comprehension of the Chinese: I see this person doesn’t want to do business with me for the long-term.

Group B
Australia: ‘I would like to have 20 percent discount from you.’
Chinese: ‘I don’t think I can offer you a discount today, but how about next time?’
The comprehension of the Australian: What is he talking about? I am talking about today’s business, not the future.

In this kind of situation, Participant M explained: ‘The Chinese think successful negotiation is a based long-term relationship. In contrast, Australians tend to be focused on each transaction’. Thus, Australian managers who are not familiar with the Chinese guanxi culture often think that it is difficult to negotiate with the Chinese.

4.4.2.3.1 Triangulated findings for theme 7
The findings agreed totally with the data collected and analysed above. Furthermore, all participants agreed that economic, political, social, and technological variables that influence guanxi in turn affect the negotiation process in China, and then explained: this is our unique style in negotiation process.

4.4.2.4 Theme 8: Guanxi in the negotiation process from group D’s perspective (Chinese working in Australia)
All participants believed that guanxi significantly affects the negotiation process in China. They explained:

- Chinese managers used guanxi as a tool for maintaining long-term relationships in China (Participant S).
- Good guanxi represents face-giving in terms of maintaining harmonious relationships during the negotiation process (Participant U).
Trust and reciprocity are two main criteria for building up guanxi when negotiating with the Chinese (Participant V).

Australian managers are recommended to understand the meanings behind the word rather than to translate the word directly (Participant X).

Furthermore, all participants also suggested that there are three additional characteristics of Chinese business which Australian managers need to take into account during the negotiation process in the twenty-first century.

The first characteristic of Chinese business is labour. All participants believed that it is hard to find suitable negotiators due to the challenge of educational constraints in Chinese society, as one of the important elements to successful negotiation depends on the negotiator’s knowledge and skills. Participant W pointed out that the Chinese also used guanxi as a channel for rescuing the right staff in China. Participant T explained that ‘the appropriate employee hired through guanxi is easier to be managed and trust can be built before he or she is hired by organisation’. Thus, it is a different way of rescuing the negotiator compared to Australia enterprises.

The second characteristic of Chinese business is its bargaining culture. Participant X pointed out that bargaining through the guanxi network gradually becomes a means for winning business negotiations in China. Participant W explained the Chinese method of offering a bargain that often works to bring people to an agreement is to suggest the give-and-take elements that are in play: I won’t purchase anything without a discount in China. However, once a manager has offered me a discount, I am happy to introduce my friends as his or her new customers. The influence of guanxi is becoming deeper, whether in gaining new customers or maintaining old ones. Group D also believed that ‘the Chinese companies see bargaining as a cardinal part of their corporate ethos, and so assume that the vendor has a broad margin within which to bargain’. Thus, the aspect of the negotiation ethos is the degree to which Chinese managers socialise in order to build and sustain long-term guanxi.
The final characteristic of Chinese business is the price wars. Participant V noticed that although the economic growth rate is approximately ten percent per year in China, price wars are currently hurting the SMIEs. It is almost impossible to offer a good discount for these enterprises due to the low profits era (Participant T). Under such straitened circumstances, Participant S pointed out that these SMIEs often tried to:

- Negotiate with their potential partner and ask for a joint venture. However, these Chinese SMIEs frequently offer several benefits under the conditions of trust and long-term guanxi;
- Exchange market information with their friends or business partners for seeking new business opportunities, and then try their best to achieve mutually satisfying agreements in later cooperation without asking for additional benefits from the other party;
- Sell the enterprise to a person who has guanxi with him or her, and offer lower prices compared to its market value.

For these reasons, all participants from group D viewed that ‘guanxi is a kind of strategy in seeking advantages in business as well as negotiations’. Thus, group D agreed that guanxi impacts the negotiation process in China. They also believed that guanxi can help in adding values or extending their enterprises with lower costs in China.

Furthermore, MNEs do not often face the challenge of financial constraints in China, as stated by Participant X. However, Participant V also pointed out that ‘the key point to successful negotiation with Chinese MNEs is to establish long-term guanxi during the negotiation process in order to gather information’. For example, Participant W explained that ‘the reason that the well known eye care enterprise ‘Nikon-Essilor’ can fetch the close down information of a cooperative manufacturer in the earliest time is due to the magic of personal guanxi when negotiating with other business partners in China. Immeasurable losses could result from delayed policy if the information is gathered through an official channel’. Thus, similar to SMIEs, it is also important to focus on
guanxi rather spending money on business negotiations when negotiating with Chinese MNEs, from group D’s perspective.

In addition, all participants disagreed that guanxi affects the negotiation process in Australia. Some comments from participants are quoted below to illustrate this point:

- I don’t think guanxi is used as a strategic tool during the negotiation process in Australia. Guanxi is a kind of unique culture in China and/or some Asian countries such as Singapore (Participant M).
- I don’t think Australians understand guanxi unless they have studied Chinese culture before. However, guanxi is not easy to understand even for our own people in China (Participant N).
- I never heard the word guanxi while working in Australia before now; I don’t think Australian managers take it into account during the negotiation process (Participant W).
- I strongly believe that Australian managers focus on successful outcomes rather than building up relationships (Participant V).

Thus, guanxi does impact the negotiation process in China due to the difference of the relationship-deal focus, direct-indirect communication, face-giving, and so on. However, all participants also believed that guanxi does not affect the negotiation process in Australia from group D’s perspective.

4.4.2.4.1 Triangulated findings for theme 8
The findings agreed totally with the data collected and analysed above, and responses were in agreement with the evidence. Further, all participants agreed that guanxi does affect the negotiation process in China, but not in Australia because of the influence from the characteristics of Chinese business as mentioned above.
4.4.3 Research Question 3: What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiations with each other?

4.4.3.1 Theme 9: Guanxi as a strategy in the negotiation process

In this theme, the researcher aimed to create a strategy plan through all participants’ comments. Their comments were formed into fourteen strategies, so that the readers are able to follow them clearly.

4.4.3.1.1 Strategic plan

According to the information obtained from themes 1 to 8, the Chinese use guanxi as a strategic tool to win their negotiation process. Further, Australian managers who are seeking to succeed in negotiations with the Chinese must learn ‘how to build and manage guanxi before and after the negotiation processes’ (Participants M-X). Thus, fourteen strategies are recommended by Participants A to X as follows:

1. **Start guanxi as early as possible:** Participants such as L, N, and S suggested that each individual should start guanxi as early as possible. It is always good to have people who can help someone in trouble (Participant N). Furthermore, it is also very difficult to accomplish tasks merely with expertise in Chinese society (Participant L). As the key to reach the negotiation goal is the support and assistance of various people through guanxi accumulated in China (Participant S). Thus, it is recommended that Australian managers should begin to systematically manage guanxi before they enter the Chinese market (Participants L, N, and S).

2. **Maintain long-term relationships and trust:** During the process of using guanxi, it is quite impossible for people to receive help from others if they have never treated others to a meal, never made a phone call, never sent a birthday card, and then one day when in need of help, ask them for their assistance (Participant I). This means that guanxi only works well when people have maintained a long-term relationship with others (Participants M and U). For this reason, Participants I, M, and U recommended that each individual should
maintain regular contacts with their partners through telephone calls, e-mails, and so on. Furthermore, regular contract also helps to build up ‘trust’ over periods of time (Participant U). In other words, by trying to understand other people’s specialties, characteristics, interests, and backgrounds with attention and concern, people are able to enhance their guanxi with others (Participant M). Thus, Participant M believed that maintaining interactions is a good start to keeping long-term guanxi and trust in China.

In addition, it is important to pay attention to the frequency of the contact (Participant A). If this is made too often, it may result in nuisance feelings in others (Participant A). In contrast, people are forgotten if there is not much contact between them and their partners (Participant A). Hence, Participant A also suggested that it is better to contact business partners no more than twice per week in China.

3. **Be good tempered, always smile, and offer many compliments:** Participants J, O and X suggested that it is good to talk in a friendly, relaxed, and pleasant way during the initial contact in order to make a good first impression. This first impression is the beginning of accumulating guanxi; a friendly, considerate attitude with trust is the one and only way to break down barriers with strangers (Participant O). In other words, people must be very careful not to let their partners feel uncomfortable (Participant J). Communication and negotiation styles would therefore be greatly affecting the prospects of business negotiations in China (Participant O). In addition, people should always smile, as this is a very pleasant way to negotiate with others in China (Participant O).

4. **Time and space:** Participant L believed that attitude to towards time and space must take account of carefully if any Australian managers want to build up guanxi during the negotiation process in China, as follows:
Regarding time, Participant L explained that the ‘Chinese think everything can be delayed before guanxi is built up during the negotiation process. For this reason, Chinese enterprises often allow their managers to transact negotiations for a longer period of time. Whereas in Australia, managers often try to hurry the decision making process or to face the deadline’. Thus, participants such as R and L recommended that Australian managers should spend a longer period of time when negotiating with the Chinese in order to:

- Enhance guanxi with Chinese partners or government leaders (Participant L);
- Set up an appropriate team with guanxi professionals. If guanxi experts are from Australia, then find one with a translator/interpreter in China through the internet (Participant L);
- Have a better understanding of negotiating behaviours and styles in the Chinese mind (Participant R); and
- Change the tactics plan when appropriate or necessary (Participant R).

Regarding space, Participant R commented that the ‘Chinese believe it is better to talk within a distance of 1-2 meters. It represents mutually comfortable conservation which can also help to enhance guanxi by giving positive feelings to each other during the negotiation process in China’. Thus, Participant R recommended that it is important to pay attention to this kind of distance zone when negotiating with the Chinese.

5. **Business cards:** Participants B, H and T pointed out that the Chinese think that if people do not have their own business cards, this means that they are in a position of low social status. Moreover, it is important to have a well-designed business card containing personal information such as name, company position, and contact details (Participant E). Furthermore, it is also important in China to give the business card to others by using both hands (Participant D). This kind of behaviour means respect to others from the Chinese perspective (Participant D). Additionally, Participant H also pointed out that it is a requirement to give the
business card to the top manager first, followed by the middle manager, and then the lower managers. This is a unique style of card giving in China.

6. **Be enthusiastic to offer assistance:** Participants such as C, S, and X believed that individuals’ dependability, trustworthiness, and popularity can be enhanced by providing assistance over periods of time. As the Chinese always say, ‘helping others is helping yourself’ (Participant X). In other words, the Chinese believed that other parties will certainly treat people with respect if they offer such assistance to them first (Participant C). Therefore, if any Australian managers have the opportunity to offer something to their business partner in China, they should offer it within the enterprise’s or personal budgets (Participant S).

7. **Offer the ‘right’ favours:** When people offer a favour to their business partners in China, this does not mean that they should offer presents, unless they are sure about what the business partners would be willing to accept (Participant F). Otherwise, people should not take the liberty to send any gifts (Participant F). Participant F suggested that it is better to discover or exchange business information as a favour to their business partners.

8. **Listen and encourage others to talk first:** Participants K and W stated that the Chinese think that listening is a good way to show politeness. Participant K explained that the Chinese think that if people are willing to listen, they are glad to consider the viewpoints of others objectively, and that those who are speaking would think their opinions are being respected, which can establish a harmonious relationship naturally.

Further, it is also recommended to encourage others to talk first in order to reduce tension and competitive situations when negotiating with the Chinese (Participant K). Participant W pointed out that the Chinese believe that an open atmosphere can be created by listening attentively so as to facilitate exchanging opinions. The speakers are allowed to focus more on the key points, without being affected by
the pressure of competition, nor finding excuses for contradictions to their viewpoints (Participant W).

Additionally, some people may be inclined to be over-active, often creating tense situations (Participant W). However, people should always remember not to expose the other person’s ‘face’. It is better to shuffle by saying, ‘Oh, yeah, is that so?’ (Participant W).

9. **File information in the computer**: Participant Q recommended that it is better to file the information in the database, and record the relationships in detail, such as occasion, time, location, business card, and so on. Additionally, people should also update the database once a week (Participant D).

10. **Use a web-based operating system**: Participant P observed that as interactions with social groups or clients can be performed through the internet at any time, transnational conferences can be held whenever necessary by employing digital technology. For example, MSN, Yahoo Messenger, e-mail, discussion sites, message boards, and message sending are all effective channels for building up guanxi with others (Participant P). Hence, a web-based operating system is an efficient instrument for managing the guanxi network (Participant P).

11. **Do not have further connections with those who ‘walk off’ with something**: People who may be keen on gaining the advantage may argue that ‘walking off with something is not really stealing’ (Participant W). Although taking away trivial things is not significant, once when something serious happen, such people always become the first suspect in the eyes of the Chinese superiors (Participant W).

12. **Avoid associating with ‘gossipers’**: i.e. someone habitually engaged in idle talk about others: Generally, those who love to gossip about others are inevitably trouble-makers from the Chinese point of view (Participant W).
13. **Do not interrupt others:** From the Chinese perspective, a good manager will not interrupt others, except for emphasising some trial things, correcting some insignificant parts of the conversation, trying suddenly to change the subject, or finishing a phrase uncompleted (Participants N and T). The Chinese believe that that a person who often interrupts others knows little about the importance of business negotiations in China (Participants N and T). Therefore, Participant T suggested to wait until the other party stops speaking.

14. **People you should know:** Finally, Participants N-X suggested that there are certain Chinese people who managers should try to build and manage guanxi with in order to succeed in business negotiations:

- **People who have strong guanxi in China.** For example, an important client calls asking for an air ticket to fly to Shanghai for negotiations that night (Participant R). However, every travel agency claims that all tickets are sold out. This leads to the question of what can be done to satisfy this urgent need (Participant R). In this case, it is best to tell the client that he/she will be taken care of it (Participant R). Afterwards, contact friends who have guanxi with you to reserve a ticket for you as soon as possible (Participant R). This is possible, because there is no such thing as ‘sold out" in China (Participants R and X). It is quite a different business system compared to Australia (Participants R and X). The Chinese often keep a backup for something in order to satisfy their friends in urgent cases (Participants R and X). Based on the information, Participant S believed that everything can be solved, once the right person is contacted to help a person in trouble, which happens in all Chinese industries. It is important to build and manage guanxi networks with as many people as possible (Participant S).

- **People who can offer a product at a good price:** Assuming that there are 200 different ticket prices for 200 passengers taking the same airplane from the travel agencies in China (Participant U). However, some people can buy a ticket costing AUS$1000 at a price of AUS$800, or even at only AUS$700 through a friend, or their friend’s friend (Participant U). This shows that the more people you have
guanxi with in China, the higher chances to receive a better price without bargaining (Participant U). This also works for producers who are seeking better materials, prices, and so on in China (Participant U).

- **People who are working in a career agency**: Most people have no intention of talking with a person who is a career agent unless they need a job. It is quite wrong due to the imbalance of educational development between different regions and towns in China (Participant W). Hence, Participant W recommended that Australian managers should consider having guanxi with some Chinese career agencies in order to hire good negotiators when needed.

- **People who are working in a bank**: In Australia, banks play significant roles in financial processes related to every organisation (Participant T). In China, if a person has guanxi with someone working in a bank, he or she can often help with borrowing funds at lower interest rates compared to the market price (Participant T). Based on the evidence, it is recommended to build up guanxi with Chinese bankers (Participant T).

- **People who are working in government sectors**: As the law is not perfect in China, some Chinese managers often do illegal or unethical things without the knowledge of their business partners during the negotiation process (Participants M, N, O and V). Based on this evidence, Participants M, P and Q suggested that Australian managers should understand that (1) under centralisation, only the Chinese government can help people with any legal problems during the negotiation process (Participant M). They can solve disputes under the condition of incomplete law in China (Participant M); (2) centralisation can also help the Chinese central government improve the legal system in future (Participant Q); and (3) guanxi can be enhanced under the reciprocity of information exchange through informal communication channels, such as meetings and discussions (Participant P). However, people should remember that anything political reported to the Chinese media without authority from the central government is unacceptable, from the Chinese government’s perspective (Participant P). Thus, it is recommended that Australian managers take the Chinese legal system into account (Participants M, P and S).
**Lawyers:** As Chinese society is quite complicated for most Australian managers (Participant Q). It is true that people who are good and honest always reconcile with others and try to avoid trouble (Participant Q). However, people may unknowingly break the law or social policies, especially as an outsider (Participant Q). In this kind of situation, Participant M recommended that hiring well-known lawyers through guanxi can be very helpful in solving troubles.

In summary, fourteen recommendations are offered as a useful guide to Australian managers in making their negotiation strategies in China.

### 4.4.3.1.2 Triangulated findings for theme 9

All participants agreed with interview findings, and then explained ‘the key point is to analyse both internal and external factors in relation to guanxi strategies’.

### 4.5 Composite Description

This section aims to provide a composite description in order to presents the ‘essence and summary’ of the phenomenon through all themes and research questions with triangulation findings for this research. As mentioned previously, the participants are experienced managers, and the researcher has divided them into their groups (A, B, C, and D). Clearly, each group has similarities and differences in their perception of guanxi and how it affects the negotiation process in either Australia or China, their views are:

#### 4.5.1 Summary for group A (Australians working in Australia)

The data analysis reveals that there is no single approach defines what guanxi is. All participants have their own interpretations, which are discussed in theme 1 (p. 116). Furthermore, all participants believe that guanxi does affect the negotiation process in China through both social and technological variables, such as trust, power distance, information exchange, and so on, which are shown in theme 5 (p. 126). In contrast, most participants disagreed guanxi affects business negotiations in Australia. However, some participants such as A and F argued that guanxi does affect the negotiation process in
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Australia, but it is under a different social package in language and involvement. These views were supported with evidence.

4.5.2 Summary for group B (Australians working in China)
Theme 2 (p. 117) shows that all participants from group B perceived guanxi as a kind of long-term inter-personal relationship, connection, sympathy, social networking and the potential assistance that may be provided to you by someone, which can be anticipated from your innermost circle, such as friendship, family, and love without payback in monetary terms (Participant G, H, I, J, K and K).

Moreover, all participants believe that guanxi does strongly affects the negotiation process in China, but not in Australia, due to the differences in social and political variables, such as trust, sympathy, friendship, the legal system, and so on. Their views were supported with evidence in theme 6 (p. 128).

4.5.3 Summary for group C (Chinese working in China)
Theme 3 (p. 119) shows that guanxi is based on four elements, and that every element is closely connected with one another. The importance of their close relationship is definitely worthy of special attention. For this reason, group C pointed out that cultural knowledge is an essential criterion for cultivating guanxi, and they defined guanxi as an interactive relation of various acts such as communication, expectation, attraction, devotion, attention and cooperation expressed through emotion, morality, and right behaviours under Chinese law between two or more people without impetuous, capricious, selfish materialism during their lifetimes (Participants M, N, O, P, Q and R).

Furthermore, all participants believe that economic, political, social and technological variables that influence guanxi in turn affect the negotiation process in China. On the other hand, all participants explained that because people are living in different environments, it is impossible for guanxi to affect the negotiation process in Australia. Their views were supported with evidence in theme 7 (p. 129).
4.5.4 Summary for group D (Chinese working in Australia)

In theme 4 (p. 125), all participants agreed in defining guanxi as the combination of mutual benefit and inter-personal relationships, but slightly less emphasis on mutual benefit (Participants S, T, U, V, W and X).

All participants also explained that the characteristics of Chinese business (for example, labour) and cultural variables (for example, language) were totally different compared to Australia. Thus, group D believed that guanxi does affect the negotiation process in China, but not in Australia. These views were supported with evidences in theme 8.

4.5.5 Summary for the first research question

Groups B, C, and D are in agreement with each other regarding the perception of guanxi within their own group (themes 2-4, pp. 117-125). In contrast, group A was not in agreement in defining guanxi nor were they dependent on individual experiences (theme 1, p. 116). Thus, group A appear to have a lack of consensus in defining what guanxi is.

Second, most of the participants believed that guanxi practice must be ethically and illegally acceptable in China; while Participant R believed that buying and selling personal guanxi through the internet is an effective method to satisfy market demand.

Finally, guanxi is based on inter-personal relationship (for example, favour, trust and so on) rather than inter-organisations relationship (themes 1-4, pp. 116-125).

4.5.6 Summary for the second research question

In themes 5-8 (pp. 126-133), all participants explained that both external factors and internal factors that are closely and directly related to guanxi practice during negotiation process in China as following:

- External Factors: (1) economic, political, social and technological variables; (2) supplier; (3) customers; and (4) competitors.
- Internal Factors: (1) cooperate structure and culture; (2) the available resources of
the enterprises; and (3) problem solving and decision making process.

Furthermore, successful guanxi practice can directly benefit Australian managers to resolve many practical problems (for example, negotiation conflicts, quality control, and so on) when negotiating with the Chinese.

In contrast to Australia, only two participants agreed that guanxi does affect the negotiation process (theme 5, p. 126). They explained that ‘most Australian managers did not realise they have been using guanxi as a strategic tool for successful negotiation in Australia under different packages in language and involvement’ (Participants A and F). However, the B, C, and D groups argued that Australian managers have their own negotiation styles compared to Chinese managers in the market place (themes 6-8, pp. 128-133). Thus, although there is a possibility that guanxi does affect the negotiation process in Australia, guanxi has a higher degree of involvement in China.

4.5.7 Summary for the third research question
Fourteen recommendations were provided as a strategy plan for Australian managers who are willing to negotiate with the Chinese (theme 9, p. 137). These recommendations were collected through all participants’ comments and supported with evidence. Clearly, this plan is treated as separate stages in management, but they are also closely related to each other in strategic negotiation processes in order to improve (1) guanxi quality, (2) negotiation performance, (3) competitive position, and (4) competitive advantage during the negotiation process (Participants A-V).

4.5.8 Summary for the triangulation
The idea is that one can be more confident with a result if other method leads to the same result in this research (Denzin & Lincoln 2000). A summary comparing the interview findings and the triangulated findings for themes and three research questions is provided in Appendix 7 (p. 223). Table 26 (p. 148) provides an illustration of this process:
Table 26: An Example of the Comparison between Collected Data and Triangulation Findings for Themes and Research Questions

<table>
<thead>
<tr>
<th>Sample Group / Themes / Research Questions</th>
<th>Data Collection</th>
<th>Triangulated Findings</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group D / Theme 4/ RQ1</td>
<td>Guanxi is the combination of mutual benefit and inter-personal relationships, but slightly less emphasis on mutual benefit.</td>
<td>Guanxi is a kind of inter-personal relationship with a higher degree of involvement in mutual benefits.</td>
<td>Perceptions of guanxi were in agreement and supported with evidence.</td>
</tr>
</tbody>
</table>

Source: Developed for this study

4.6 Conclusion for Chapter Four

Chapter Four has explored the data collection in relation to the three research questions in Chapters Two and Three. In this chapter, individual participants were identified by a code in order to protect their confidentiality in section 4.1 (p. 109). The researcher then described his personal experiences in order to enter the unique world of the participants with the phenomenon for this research (section 4.2, p. 111). Afterwards, the researcher developed clusters of meaning from 67 significant statements into nine themes in section 4.3 (p. 113). These themes were then developed into descriptions of ‘what and how’ the phenomenon was experienced by the participants in relation to three research questions (section 4.4, p. 116). Finally, the composite description was presented with triangulation findings in section 4.5 (p. 144).

In the next chapter, the researcher will focus on: (1) providing comparisons of the findings with the literature; (2) suggesting implications for policy and practice; and then (3) finalising the chapter for this research.
Chapter Five: Conclusions and Implications

5. Overview of Conclusions and Implications

The main purpose of the conclusion is to provide generalisations based on your findings, implications of those findings and recommendations for future work (Murison & Webb 1991, p. 1).

After analysing the data regarding guanxi that influences negotiation process in China, chapter five aimed to discuss the conclusions and implication of the findings from the data analysis. This chapter consists of seven sections, as shown in table 27 (p. 150). Section 5.1 (p. 151) presents a summary of previous chapters. The next section (5.2, p. 152) provides a summary of the research contribution and conclusions about each research question with final conceptual framework. Afterwards, the implication for theory, policy and practice are discussed in section 5.3 (p. 157). Limitations of the research, alone implications for further research are also presented in section 5.4 (p. 159) and 5.5 (p. 160). Finally, a summary of this chapter is then presented in section 5.6 (p. 161).
Table 27: The Structure of Chapter Five

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<th>Details</th>
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<td>5.1 Summary of previous chapters</td>
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<td>5.2 Research contributions and conclusions</td>
<td>5.3.1 RQ1: How do Australian managers and Chinese managers differ in their perception of guanxi?</td>
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<td></td>
<td>5.3.2 RQ2: How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?</td>
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<td></td>
<td>5.3.3 RQ3: What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiations with each other?</td>
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<td>5.2.4 Theory-building research</td>
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<td>5.3 Implications (Theory, policy, and practices)</td>
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<td>5.3.2 Implications for policy and practice</td>
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<td>5.4 Limitations</td>
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<td>5.6 Conclusion for chapter five</td>
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Source: Developed for this study
5.1 Summary of Previous Chapters
As mentioned previously, the purpose of this section is to provide a summary of the previous chapters.

Chapter One – Introduction: Chapter One provided an overview of this research, outlining the research problem and research questions, the context for the research, the justification for the research methodology, and the research limitations.

Chapter Two – Literature Review: Chapter Two reviews literature currently available on the subject, in particular, different philosophies on what constitute guanxi, together with a description of the negotiation process, conflicts and classical strategies. Through the Literature Review, it also identifies how Confucian themes affect guanxi during the negotiation process. Through this review, an overview of guanxi and negotiation literatures are summarised into three levels of concepts and three research questions are developed.

Chapter Three – Methodology: Chapter Three presented the methodology used to guide the collection and analysis of the data. It provides justification on why the interpretivism paradigm, the qualitative research method, and the phenomenology approach were chosen for this research. Furthermore, this chapter outlined the sample, design and analysis procedures to be used in the phenomenological research. Additionally, the ethical considerations and the limitations associated with the methodology were also discussed.

Chapter Four – Data Analysis: In this chapter, the purpose is to link the findings from the data analysis to the Literature Review. Further, the data was collected from in-depth interviews and then focus group interviews for triangulation purpose. Finally, the researcher has analysed the findings through the Stevick-Colaizzi-Jeen method by Moustakas (1994) in order to comparisons along with two cultures (Australia and China) for this research.
Next, Chapter Five will now discuss the contribution and conclusion of the research questions. The purpose is to link the findings from the data analysis to the Literature Review and draw conclusions related to the research questions (Wong 2006, p. 113).

5.2 Research Contributions and Conclusions
This section aims to provide the research contributions and conclusions relating to the findings of three research questions. Afterwards, theory-building research will show the final theory that is developed in this study.

5.2.1 RQ1: How do Australian managers and Chinese managers differ in their perception of guanxi?

**Literature:** The Literature Review (section 2.4.1, p. 39) highlights the fact that, although there are many theories being put forward by philosophers, the sense of guanxi is still not completely clear to most of the Australian managers because of its unique cultural value.

**Findings:** Research findings sections 4.5.5 (p. 146) identified that groups B (Australian working in China), C (Chinese working in China), and D (Chinese working in Australia) are in agreement with each other regarding what guanxi is within their own group. However, the data analysis also represents that is no single approach defines what guanxi is in group A (Australian working in Australia). Thus, this appears to support the notion that an understanding of guanxi depends on how well one analyses the Chinese party and cultural variables (Lewicki & Hiam 2006, p. 68).

Further, Guanxi consisted of relationship, favour, experience and so on rather than inter-organisations relationships (Sections 4.5.2 to 4.5.4, pp. 145-146). The reason is that inter-organisations relationship can be built naturally once managers have success guanxi practice (Participants N, O, P, Q, R, and X). As summed up by all participants in group C: After guanxi is built, then we do business together.

**Contributions/Conclusion:** These research findings advance the literature by first identifying additional guanxi perspective from four groups (A, B, C, and D). These
perceptions of guanxi represent participants’ understanding the essence from their individual experiences. Further, the findings concurred with the similar findings of Chen (2001, p. 46) that although guanxi has received a great deal of media attention in Australia, but the real meaning of guanxi is still not clear to most of Australian manager. To end this, this study provided four different perceptions of guanxi in order to comparison two cultures in balance way.

In addition, data collection also support that guanxi is based on inter-personal relationship rather than inter-organisations relationship. Thus, it is clearly that guanxi is kind of human behaviour and ideology.

5.2.2 RQ2: How does guanxi affect the negotiations of Australian and Chinese managers in the business environment?

**Literature:** As discussed in section 2.4.2 (p. 41), different cultural elements in a society play a particular role in negotiation process, especially the Chinese have a history going back more than 5,000 years, in which have developed a colourful reservoir of traditional culture. However, the literature did not identify the details of how guanxi can affect the negotiation process, especially in Australia.

**Findings:** This research identified that knowledge of Chinese culture is an advantage as it can help reduce misunderstands and minimises the high tension involved in negotiations (section 4.5.6, p. 146). Participants further explained that both external factors and internal factors that are closely and directly related to guanxi during negotiation process in China (section 4.5.6, p. 146) In other words, guanxi permeate every level of Chinese negotiation environment, from general factors to industry factors and organisational factors.

In contrast to Australia, only two participants agreed that guanxi does affect the negotiation process as mentioned in section 4.4.2.1 (p. 126). However, other participants argued that Australian managers have their own negotiation styles compared to Chinese managers in the market place (section 4.4.2.1, p. 126). Therefore, there is a possibility
that guanxi affects the negotiation process under different social and cultural systems in Australia.

**Contributions/Conclusions:** These research findings support that it is important for managers to examining the external and internal factors that influences guanxi during the negotiation process. As successful guanxi can directly benefit Australian managers to resolve many practical problems when negotiating with the Chinese, Further, Confucianism conjunction with several western theories such as Hofstede’s five dimensions can help Australian managers to be aware of, and take action to the unique culture of guanxi during negotiation process. Thus, it is proposed that managers need to make strategic decisions on guanxi through research as well.

Finally, the findings also advance the literature by first identified that although guanxi does affect the negotiation process in Australia, but guanxi has a higher degree of involvement in China. This is very different view compared to previous literatures in Chapter Two (section 2.4.2, p. 41).

### 5.2.3 RQ3: What strategy-related areas should Australians and Chinese pay attention to, in order to ensure successful negotiations with each other?

**Literature:** The Literature Review (section 2.4.3, p. 56) identified that once firm has decided to use guanxi on the basis of the information obtained from both internal and external research, the next steps are to formulate appropriate guanxi strategies. However, the literature does not identify the details of what are the appropriate guanxi strategies and how to implement them during the negotiation process.

**Findings:** Chapter Four (section 4.4.3.1, p. 137) identified fourteen strategies which recommended from participants’ comments into a plan. This plan is treated as separate stages in management, but they are also closely related to each other in strategic negotiation processes, and the purpose is to improve: (1) guanxi quality, (2) negotiation performance, (3) competitive position, and (4) competitive advantage during the negotiation process (section 4.5.7, p. 147).
Contributions/Conclusions: These research findings support the literature by identified guanxi strategies into a plan. This plan can offer useful guide to both Australian and Chinese managers in making their guanxi strategy during the negotiation process. As summed up by Tian (2007, p. 69) guanxi is so pervasive in China that enterprises often have to utilise it into a strategy plan for win-win negotiation purpose.

5.2.4 Theory-build Research
As mentioned previously, the purpose of this section is to show the final theory that is developing based on findings in this research. As Varadarajan (1996, p. 6) notes that qualitative research must have a rigorously developed conceptual framework with clearly defined and measurable variables, empirically testable research propositions. For this reason, table 28 (p. 155) provides a final conceptual framework of guanxi during the negotiation process in this research.

Table 28: Final Conceptual Framework of Guanxi during the Negotiation Process

<table>
<thead>
<tr>
<th>LEVEL 1: PERCEPTION OF GUANXI</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>Favour</td>
<td>Dependence</td>
<td>Competency</td>
<td>Experience</td>
<td>Adaptation</td>
</tr>
<tr>
<td>Respect</td>
<td>Loyalty</td>
<td>Reciprocal</td>
<td>Emotion</td>
<td>Family</td>
<td>Moral</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Obligation</td>
<td>Harmony</td>
<td>Personality</td>
<td>Classmate</td>
<td>Attraction</td>
</tr>
<tr>
<td>Connection</td>
<td>Trust</td>
<td>Networking</td>
<td>Value</td>
<td>Friend</td>
<td>Concern</td>
</tr>
<tr>
<td>Sympathy</td>
<td>Face</td>
<td>Legitimate</td>
<td>Attitude</td>
<td>Colleague</td>
<td>Patience</td>
</tr>
<tr>
<td>Interaction</td>
<td>Power</td>
<td>Communication</td>
<td>Behaviour</td>
<td>Partner</td>
<td>Cultivation</td>
</tr>
</tbody>
</table>

| LEVEL 2: THE INFLUENCE OF GUANXI IN THE BUSINESS ENVIRONMENT DURING THE NEGOTIATION PROCESS | | | |
|---------------------------------------------|---|---|
| Internal factors | | External factors |
| Asset | Economic/Finance |
| Information exchange | Political/Legal |
Finally, the following are the research propositions:

1. Guanxi itself as a quality built on relationship (respect, knowledge, connection, sympathy, and interaction), favour (loyalty, obligation, trust, face, and power), dependence (reciprocal, harmony, networking, legitimate, communication), competency (emotion, personality, value, attitude, and behaviour), experience (family, classmate, friend, colleague, partner) and adaptation (moral, attraction, concern, patience, and cultivation).

2. Guanxi study needs to be done by examining both internal factors (asset, information exchange, cooperate structure and culture, availability of resource, quality control, problem solving, decision making process, and financial management) and external factors (economic/finance, political/legal, social/culture, technology/infrastructure, supplier, customer, competitor, and cost) which influence the negotiation of an enterprise.

3. Guanxi strategies is aim to improve (1) guanxi quality, (2) negotiation performance, (3) competitive position, and (4) competitive advantage for win-win
negotiation purpose.

5.3 Implications (Theory, Policy and Practices)
Presently there exists only limited research which investigates guanxi during the negotiation process in China from both an Australian and a Chinese perspective. Findings of this research contribute to both the theoretical and practical knowledge of this subject in the following ways.

5.3.1 Implications for Theory
This research contributed several western and eastern philosophies to theoretical knowledge of guanxi during the negotiation process such as Hofstede’s model of cultural dimensions, and Confucianism. However, although the notion of guanxi has been well analysed in east, but guanxi has been focused primarily on its effects on social, political, and organisational behaviour in west. For this reason, the researcher has contributed to a deeper and more comprehensive conceptualisation of guanxi from in level 1 to level 3 with three majors’ research propositions in the final conceptual framework. This aims to benefit for all managers who are interesting in making their negotiation strategy and operation decisions.

In addition, according to Participant Q and Crombie (2005, p. 104), there are literally hundreds of other philosophers who have contributed to the Chinese philosophical tradition. Many of Chinese person has a great appreciation and understanding of these tradition, far greater than average westerner’s understanding of the history and body of western philosophical through (Crombie 2005, p. 104). Therefore, it is also recommended that Australian managers and/or researchers who are wish to gain insight into the Chinese way of thinking can also read a range of Chinese philosophers. The researcher found such study to be of immense value, and then list some of the famous Chinese philosophers in Appendix 8 (p. 229).
5.3.2 Implications for Policy and Practice

In this section, implications for both private and public sector managers are covered as following. Firstly, this research strongly suggests that Australian managers need to make concerted efforts to develop guanxi with Chinese partners for success negotiation. As Lee, Pae and Wong (1999, p. 63) point out that ‘by developing guanxi, international negotiators can exchange information proactively and reduce their level of risk and uncertainty’. For example, Participant B believed that guanxi helps parties to exchange market information during the negotiation process in China. Furthermore, guanxi preparation must include spending time in understanding the cultural traits, so that knowledge and understanding of the cultural traits can go a long way in helping the negotiation move in the right direction (Woo & Prud’homme 1999, p. 321). In other words, when confronted with the prospect of doing business with associates from another culture, is to prepare yourself by studying and understanding their negotiation styles as well as your own and not to be a hurry to get down to business if establishing guanxi is more important in the host culture such as China (Cateora 1997, p. 523). Therefore, a strategy plan was provided for both private and public sector managers in theme 9 (p. 137). This plan will still work in future because many Chinese are gatekeepers, providing access to goods and service.

Secondly, Chinese who are working in Australia (Group D) can be a valuable guanxi asset to an Australia enterprise seeking to negotiate business deal in China, especially if they have kept up their social and business connections in Asia (Participants B, E, and I). Their familiarity with Chinese business environment setting can provide an important bridge between Australia and China (Participants B, E, and I). Based on evidences, it is suggested that Australian enterprises should rescue some Chinese staffs before the negotiation process in China. In addition, Chinese managers who are seeking doing business with Australian are suggest to follows this logic as well.

Thirdly, some participants such as A, E and I questioned that whether Australian managers are able to build guanxi relationships of their own. They further explained ‘some Chinese believe that guanxi among Australian managers is economic and
materialism’ (Participants A, E and I). In this situation, there are two main lessons to be drawn from the Chinese perception of guanxi as it pertains to Australian managers. One is that when appointing managers to negotiate with Chinese, Australian enterprise should send individual who has experienced guanxi in order to create positive feeling to their Chinese partners during the negotiation process. The second is that access to ‘guanxi trading platform (http://www.zhike.cn)’ as mentioned in Chapter Four (p. 124). However, as findings also show that posting ads on the website for guanxi could result in the disclosure of one’s own information and it is a grey area for doing business in China. In other words, this way of exchange guanxi can be one of the managerial implications for some Australian and Chinese managers in China, but it can also be very risky. Thus, the researcher refers the first lesson rather second one although the researcher is not an ethicist.

Finally, apart from the above managerial implications, the researcher has developed a sample of checklist for the guanxi plan in Appendix 9 (p. 230). This will help negotiators to develop appropriate strategies adapting to the Chinese business place. As summed up by Chen (2001, p. 65) ‘understanding guanxi – what it is, and how to cultivate and manage it – not only can be a valuable tool in negotiate with the Chinese but also can provide a foundation for managing business network, both personal and organisational, through the world.

5.4 Limitations of this Research

The prior delimitations of scope for this research were identified in Chapter One. The selection of phenomenology as a research methodology is also discussed in Chapter Three. The following key points provide a summary of limitations of this research:

- Taoism and Buddhism are less suitable to be included in Confucianism because Chinese people are less concerned with religion (Chapter Two, p. 37).
- The phenomenology approach is chosen for this research due to the time and financial constraints in ethnography approach (Chapter Three, p. 85).
• As samples were focus on both Australian and Chinese managers who experienced guanxi in the negotiation process. This research is therefore limited to the Australian and Chinese context (Chapter Three, p. 90).

5.5 Further Research
This research sought to address a gap in the existing literature regarding guanxi during the negotiation process in China. However, there are still some gaps in the extant knowledge in this area. Thus, this research project has provided the basis for further research in the following ways:

5.5.1 Chinese Central and Local Government
Data collection shows that the Chinese central government has been greater power and influence than the local governments because of its organisational policy in centralisation (Participants H, O and V). However, Tian (2007, p. 660) argued that if a manager works on guanxi only with the central government, paying no attention to cultivating guanxi with local governments, it may also encounter many difficulties and problems during the negotiation process. For example, a case in point is the Suzhou industry park (苏州工业园区), an intergovernmental joint project between Singapore and China (Appendix 10, p. 233). In the beginning, Tian (2007, p. 66) points out that the Singaporean side did not pay much attention to nurturing guanxi with the local Suzhou government, which became one of the major reasons for frustrations it suffered subsequently. Based on evidences, further research could explore the issue on ‘should Australian managers build up guanxi with Chinese local governments during the negotiation process?’, and the main approach is likely to be qualitative, involving interviews with both central and local Chinese government, discussing issues of guanxi within business negotiation or negotiation process.

5.5.2 Evaluation and Control of Guanxi Strategies
Although there are fourteen recommendations were provided as a strategy plan with checklist in Chapters Four and Five. However, Tian (2007, p. 65) notices that once guanxi strategies have been put in place, the process of implementation should be closed
monitored, and, if problems arise, proper corrective measures have to be taken to bring the damage under control. John, Cassell, Close, and Duberley (2001, p. 841) further state out ‘evaluation and control system can be defined as any combination of social and technical arrangements which, in the light of having assessed any member’s past, current or future task performance, generates and implements actions that attempt to either reinforce or correct that level of performance’. Therefore, the following two areas are worthy of future research, either qualitatively or quantitatively: (1) evaluation of guanxi strategies, and (2) control of guanxi strategies.

5.5.3 Guanxi Behaviour in Different Asian Countries
As mentioned previously, this research is limited to Australian and Chinese context. However, there is little reason to suspect that guanxi concept should remain the same in other cultures, such as Japan, Korea, and other Asian countries. For example, business relations operate within the context of wa (和), which stresses group harmony and social cohesion in Japan (Alston 1989). Further, in Korea, activities involve concern for inhwa (일치), or harmony based on respect of hierarchical relationships, including obedience to authority (Alston 1989). Based on evidence, the further research should be approached quantitatively, and is aimed at uncovering the key factors which influence how managers respond to guanxi behaviour in different Asian countries. It will involve a replication of an existing Australia-based study in an Asian country.

5.5.4 Gender Issues and Knowledge Management in Guanxi
Future research could focus on the effect of gender within guanxi behaviour. For example, are male managers more likely to adopt the practice of guanxi than females? Also, do females appreciate different guanxi strategies than males during the negotiation process? There are a number of potential issues which could be covered within the area of this topic, either qualitatively or quantitatively.

According to Soliman et al (2001), current advances have led more companies to integrate their business functions with other systems such as supply chain, Enterprise Resource Planning Systems and more recently guanxi networks and processes. One
possible future research topic would be to investigate the problems associated with the integration of guanxi networks and processes with other business processes and functions. Such investigation may involve many factors and requires careful exploration of the integration problems and how to overcome or reduce the severity of these problems.

Knowledge management activities and associated practices have been classified under the following three headings: a) Knowledge processing;, b) Knowledge domains; and c) Knowledge formality (Vincenti, 1990, Faulkner, 1994, Coombs & Hull, 1998). The process of managing organisational knowledge in organisations have been described by Soliman et al., (1999) as “the means by which value is added to raw-knowledge (input) in order to create processed-knowledge (output) i.e. adding value for their clients”. Soliman and Spooner (2000) have noted that most organisations would attempt to utilise five types of knowledge management processes in order to Create, Capture, Organise, Access and Use of Knowledge. These five processes cover the entire scope of most organisational functions and are significantly important to the process of guanxi networks and processes integration. Accordingly, another possible future research topic would be to investigate the problems associated with the management of the guanxi knowledge in the business network and processes. Such investigation may involve many factors and requires careful exploration of knowledge and strategic gaps that may exists before, during and after integration of the guanxi negotiation process with other business networks and processes.

Lucier and Torsilieri, (1997) and Vicari and Toilo (2000) in considering the link between knowledge creation and creativity, have report that knowledge may be necessary for developing the operational know how to support organisational strategy. Accordingly, investigating the possible link between the guanxi knowledge creation and the operational efficiency may be beneficial for improving the organisation performance (Soliman & Youssef, 2003).

According to Beckett (2000) the integration with other business activities (such as guanxi process) could affect and influence the speed of innovation and re-using knowledge to
enhance operational productivity. Further, Soliman and Youssef (2003) demonstrated that knowledge itself could play a critical role in the management of enterprise knowledge (such as guanxi knowledge). This could lead to identifying those guanxi knowledge factors that might be critical to the organisation performance. Accordingly, a further study about the criticalness of some of the guanxi knowledge factors may be useful for future research.

5.6 Conclusion for Chapter Five

Chapter Five began with an overview of previous chapters in section 5.1 (p. 151). The researcher then provided a summary of research contribution in section 5.2 (p. 152). Afterwards, the researcher discussed the findings from the three research questions and compared those findings to the extant literature in section 5.3 (p. 157). Finally, the implications were discussed (section 5.4, p. 159), followed by the limitation of the research (section 5.5, p. 160), and then suggestions for further research (section 5.6, p. 161).
Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process

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Appendices

Appendix 1: Introduction Letter and Interview Guide

[TO BE PRINTED ON SCU LETTERHEAD]

Dear interviewee:

My name is Chia-Heng (Henry) Liu and I am a doctoral candidate of Southern Cross University and currently undertaking my Doctor of Business Administration degree. My DBA thesis requires that I complete a significant research project and I have selected ‘guanxi in negotiation’ as the research area.

Specifically, the aim of this research is to find out: ‘how to build and manage guanxi network during the negotiation process in China’ for experienced managers. For this reason, if you are an Australian or Chinese manager working in either Australia or China with experience in guanxi during the negotiation. I am pleased to invite you to participate in this interview anytime between October, 2007 and March, 2008.

The interview should take less than two hours. Your interview response will be shared only with my supervisor Prof. Suresh (Serge) Mukhi (ph: 02 92814447 / e-mail: smukhi@scbit.edu.au) and I will ensure that any information in the report does not identify you as the respondent. If you decide to participate, you are free to withdraw and to discontinue participation at any time. You may also elect not to answer any questions asked. Furthermore, I will be taping the interview because I do not want to miss any of your comments. The tapes will be stored in DBA office at Sydney College of Business and IT (SCBIT) campus. However, if you do not want the interview to be taped, please tell me before you start to answer the questions. In addition, a copy of the results can be provided to you if you wish.

If you are willing to participate in this interview, or have any questions about this research, please contact me by phone on 0416489097 in Australia / +61 416489097 outside Australia or via e-mail e.liu.15@scu.edu.au.

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The approval number is ECN-07-138. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer, Ms S. Kelly, (telephone (02) 6620 9139, fax (02) 6626 9145, email: skelly@scu.edu.au).

Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

Thank you very much

Yours sincerely

Chia Heng (Henry) LIU
---------------Interview Guide-----------------

**Section One: Introduction**

I want to thank you for taking the time to meet with me today. My name is Chia-Heng (Henry) Liu and I would like to talk to you about your experiences in ‘guanxi’ during participation in the negotiation process.

The interview should take less than two hours. I will be taking some notes during the research, but I can’t possibly write fast enough to get it all down. I will therefore be taping the session because I don’t want to miss any of your comments. Because we are on tape, please be sure to speak up so that I don’t miss your comments. Furthermore, the tapes will be stored in DBA office at Sydney College of Business and IT (SCBIT) campus. However, if you do not want the interview to be taped, please tell me before you start to answer the questions.

All responses will be kept confidential. This means that your interview response will only be shared with research group members and I will ensure that any information in the report does not identify you as respondent. In addition, you don’t have to talk about anything you don’t want to and you may end the interview at any time.

*The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The approval number is ECN-07-138.*

*If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer, Ms S. Kelly, (telephone (02) 6620 9139, fax (02) 6626 9145, email: skelly@scu.edu.au).*

*Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.*

Thus, are there any questions about what I have just explained? are you willing to participate in this interview?
**Certification**

**Name of Project:** Negotiation Across China: How to Build and Manage Guanxi Network for Australian Manager

**Researchers:**

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Phone: (02) 9281 4447

**E-mail:** c.liu.15@scu.edu.au  
smukhi@scbit.edu.au

I have been provided with information at my level of comprehension about the purpose, methods, demands, risks, inconveniences, and possible outcomes of this research (including any likelihood and form of publication of results).

I agree to participate in the above research project. I have read and understand the details contained in the Information Sheet. I have had the opportunity to ask questions about the study and I am satisfied with the answers received.

I agree to an interview and to my interview being recorded on audiotape.

*I have read the information above and agree to participate in this study. I am over the age of 18 years.*

Name of Participant: ............................................................

Signature of Participant: ............................................................

Date: .............................................................................................

I certify that the terms of the Consent Form have been verbally explained to the participant and that the participant appears to understand the terms prior to signing the form.

Name & Contact Detail of Witness: .................................................

Signature of Witness: ..................................................................

Date: ............................................................................................
NOTE:
The witness should be independent of the research, where possible. If this is not possible at the place of consent, please inform the researcher and state a reason below.

Reason: ........................................................................................................................................

........................................................................................................................................

Name and signature of the researcher: .................................................................

........................................................................................................................................

Date: ..........................................................................................................................

<table>
<thead>
<tr>
<th>Section Two: In-depth Interview Questions</th>
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</thead>
<tbody>
<tr>
<td>1. How did/do you experience the guanxi?</td>
</tr>
<tr>
<td>2. How did/do you experience the guanxi in the negotiation process?</td>
</tr>
<tr>
<td>3. How did guanxi affect the negotiation process in Australia, from your personal opinion?</td>
</tr>
<tr>
<td>4. How did guanxi affect the negotiation process in China, from your personal opinion?</td>
</tr>
<tr>
<td>5. What strategies would you recommend to build up guanxi in the negotiation process?</td>
</tr>
<tr>
<td>6. What strategies should be avoided to build up guanxi during the negotiation process?</td>
</tr>
<tr>
<td>7. What strategies would you recommend to manage guanxi for future negotiation processes?</td>
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<tr>
<th>Section Three: Further Information</th>
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<tbody>
<tr>
<td>Is there anything more you would like to add?</td>
</tr>
</tbody>
</table>

I’ll be analysing the information you and others gave me and submitting a draft report to the Southern Cross University in one month. I’ll be happy to send you a copy to review at that time, if you are interested.

Thank you very much for your time

Source: Developed for this study
Appendix 2: Introduction Letter and Interview Guide

Chinese Language Version

[TO BE PRINTED ON SCU LETTERHEAD]

亲爱的受访者：

我的名字是刘家亨(亨利),目前在澳洲南十字星大学就读工商管理学博士学位. 我的论文主题为人脉关系在协商的活动中的影响,基于我博士学位论文的论点需求,我需要通过您宝贵的意见来完成我的论文调查.

具体来说,此研究的主要目的是找出‘如何建立和管理人脉关系在协商的过程中’透过有经验的经理或管理阶层的意见. 基于这样的原因,

如果您是工作于澳洲或者中国的经理人, 而且对于人脉关系在协商活动有许多的经验,

我诚心的邀请您于二零零八年一月到三月的任何期间给予我此研究的访谈机会.如果您愿意提供给我访谈机会,我保证访谈时间不会超过两小时.

而且我可以向您保证您的任何意见仅分享于我的指导教授

‘赛而吉(赛吉)马道’(电话: +61 2 9281 4447 / 邮件信箱:smukhi@scbit.edu.au)

我保证您的意见不会在我的论文中直接或间接显示您参与这次的调查访谈,此举的目的是保护您的隐私权力.当然,在访谈过程中,

您有权力在任何时间随时停止或中止访谈,

并且有权力选择不回答任何您不想回答的问题.

附加,在访谈过程中,我将会全程录音, 因为我不想错过任何您提供的宝贵意见.录影带将存放在雪梨管理和计算机研究校区的办公室

但是如果您不允许我录音,请您于访谈开始前提前告知.

因此,如果您愿意参与这次的访谈, 或您对于这个研究调查有任何问题, 请您于联络. 我澳洲的联络电话: +61 416489097. 电子邮件信箱: c.liu.15@scu.edu.au.

此外,澳洲南十字星大学伦理调查伦理委员会正式核准此研究调查,申诉代号为ECN-07-138

如果在这访谈过程中您对此研究调查有任何不满或对道德观点上有任何意见, 请与苏凯莉小姐联络. 联络电话: +61 2 6620 9139, 传真号码: +61 2 6626 9145, 电子邮件信箱: sue.kelly@scu.edu.ac.

任何你的申诉将会视为保密并且进行调查,而后会通知您申诉的调查结果.

谢谢  张家亨(亨利)先生    敬上
---------面谈指南-------------------

第一部分:开场介绍

我想要谢谢你们今天在百忙之中来参与我这次的面谈.
我的名字是刘家亨(英文名亨利),
我想要和你们讨论有关于人脉关系在于协商活动的经验.

这次的会谈时间大约是二个小时左右.
在这次我们会谈期间我会使用录音,因为我不想错过任何人的宝贵意见.
虽然会谈期间,我会手写大家所说的意见重点,
但是毕竟我手写速度不够大家说话快.
因此在整段会谈期间,我们将以录音举行,所以希望大家再发表意见期间,
能够提高说话音量,
确保能够清楚无误的录下您的宝贵意见以致于我不会错过任何人的意见.
此外,录影带将存放在雪梨管理和计算机校区的办公室
但是如果您不允许我将您的意见录音,请会谈正式开始前,事先通知.

这次会谈所有的对话将不对外发表,只供这次参与这项研究人员使用.
我保证在这次会谈中的任何资料,将会保密,
且不会透露任何姓名或相关等个人资料.
另外这次会谈期间,您有权不提供您不想分享的经验,
或者想结束会谈都可以在任何时间随时离开

澳洲南十字星大学人类调查伦理委员会正式核准此研究调查.
申诉代号为 ECN-07-138
如果在这访谈过程中您对此研究调查有任何不满或对道德观点上有任何意见,
请与苏凯莉小姐联络,
联络电话: +61 2 6620 9139,
传真号码: +61 2 6626 9145,
电子邮件信箱: sue.kelly@scu.edu.ac.

任何你的申诉将会视为保密并且进行调查,而后会通知您申诉的调查结果.
以上有无任何关于我刚才解释介绍不明白的地方呢？
您愿意参与这次的会谈讨论吗？

认证同意

项目名称：协商在中国：澳大利亚人如何建立和管理人脉关系在协商的过程中

研究员：
位置：博士候选人
姓名：刘家亨 (亨利) 先生

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    窝铁卢
    新南威尔士州2017 澳大利亚

    204/806 Bourke Street.
    Waterloo
    NSW 2017 Australia

电话：+61 41026.868
电子邮件：c.liu.15 @ scu.edu.au

我本人在提供资料时，我理解面谈目的，方法，要求及风险在此研究（也包括任何可能的形式公布结果）。

我同意参加上述研究项目。我已阅读并了解详情载于资料片。我有机会提问，对研究，我感到满意的答案。

我同意接受采访，并同意被采访录录音。

我看过上述资料，并同意参与这项研究。我年龄超过18岁。

名称参与者：____________________
参与者的签名：__________________
日期：__________________________

我证明该条款同意书，已口头解释参与者和参与者似乎明白条款签约之前的形式。
证人的名称及详细联系方式：__________________
第二部分：面谈问题

1. 您对人脉关系有何经历？

2. 您对人脉关系有何经历在于协商活动而言？

3. 从您的个人的经历，人脉关系如何影响澳大利亚的协商活动？

4. 从您的个人的经历，人脉关系如何影响中国的协商活动？

5. 请问您对于协商交涉过程中的建立人脉关系会建议采取何策略？

6. 请问您对于协商交涉过程中的建立人脉关系会建议避免何策略？

7. 请问您对于未来经营或管理协商交涉过程中的建立人脉关系会建议采取何策略？

第三部分：进一步的资讯

请问是否有任何其他相关意见或意见想表达
我将会分析以上您给予的宝贵意见
此外一个月内将报告草稿呈交于澳大利亚南十字星大学，如果你们感兴趣的话，我很乐意复印我的报告寄给你们参阅。
非常感谢你宝贵的时间，谢谢！！

Source: Developed for this study
Appendix 3: Human Research Ethics Committee Notification

**HUMAN RESEARCH ETHICS COMMITTEE (HREC) NOTIFICATION**

**To:**  Professor Serge Mukhi/Chia Heng Liu  
Graduate College of Management  
smukhi@scbit.edu.au, c.liu.15@scu.edu.au  

*cc* sue.white@scu.edu.au  

**From:** Secretary, Human Research Ethics Committee  
Graduate Research College, R. Block  

**Date:** 11.10.07  

**Project:** Negotiation Across China: How to Build and Manage Guanxi during the Negotiation Process  

**Status:** Approved subject the standard conditions of approval.  
Approval Number ECN-07-138  

---

**HUMAN RESEARCH ETHICS COMMITTEE (HREC)**

The Southern Cross University Human Research Ethics Committee has established, in accordance with the *National Statement on Ethical Conduct in Human Research – Section 5/Processes of Research Governance and Ethical Review*, a procedure for expedited review by a delegated authority.

The Committee has delegated responsibility for Expedited Approval to the HREC sub-committee at the GCM/Tweed Heads.

This research has been approved subject to the usual standard conditions of approval.
Standard Conditions in accordance with the National Statement on Ethical Conduct in Human Research (National Statement) (NS).

1. Monitoring

   NS 5.5.1 – 5.5.10
   Responsibility for ensuring that research is reliably monitored lies with the institution under which the research is conducted. Mechanisms for monitoring can include:
   (a) reports from researchers;
   (b) reports from independent agencies (such as a data and safety monitoring board);
   (c) review of adverse event reports;
   (d) random inspections of research sites, data, or consent documentation; and
   (e) interviews with research participants or other forms of feedback from them.

   The following should be noted:

   (a) All ethics approvals are valid for 12 months unless specified otherwise. If research is continuing after 12 months, then the ethics approval MUST be renewed. Complete the Annual Report/Renewal form and send to the Secretary of the HREC.

   (b) NS 5.5.5
   Generally, the researcher/s provide a report every 12 months on the progress to date or outcome in the case of completed research specifically including:
   • The maintenance and security of the records.
   • Compliance with the approved proposal
   • Compliance with any conditions of approval.
   • Any changes of protocol to the research.

   Note: Compliance to the reporting is mandatory to the approval of this research.

   (c) Specifically, that the researchers report immediately and notify the HREC, in writing, for approval of any change in protocol. NS 5.5.3

   (d) That a report is sent to HREC when the project has been completed.

   (e) That the researchers report immediately any circumstance that might affect ethical acceptance of the research protocol. NS 5.5.3

   (f) That the researchers report immediately any serious adverse events/effects on participants. NS 5.5.3

2. Research conducted overseas

   NS 4.8.1 – 4.8.21
That, if research is conducted in a country other than Australia, all research protocols for that country are followed ethically and with appropriate cultural sensitivity.

3. **Complaints**

*NS 5.6.1 – 5.6.7*

Institutions may receive complaints about researchers or the conduct of research, or about the conduct of a Human Research Ethics Committee (HREC) or other review body.

Complaints may be made by participants, researchers, staff of institutions, or others. All complaints should be handled promptly and sensitively.

*Complaints, in the first instance, should be addressed in writing to the following:*

Ms Sue Kelly  
Ethics Complaints Officer and Secretary  
HREC  
Southern Cross University  
PO Box 157  
Lismore, NSW, 2480  
Telephone (02) 6626-9139 or fax (02) 6626-9145  
Email: sue.kelly@scu.edu.au

All complaints are investigated fully and according to due process under the National Statement on Ethical Conduct in Human Research and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.

*All participants in research conducted by Southern Cross University should be advised of the above procedure and be given a copy of the contact details for the Complaints Officer. They should also be aware of the ethics approval number issued by the Human Research Ethics Committee.*

Sue Kelly  
Secretary & Ethics Complaints Officer  
HREC  
Ph: (02) 6626 9139  
sue.kelly@scu.edu.au

Associate Professor Baden Offord  
Chair, HREC  
Ph: (02) 66203162  
baden.offord@scu.edu.au

**Source:** Kelly 2007
### Appendix 4: Significant Statements and Formulated Meanings

<table>
<thead>
<tr>
<th>Group/Participant</th>
<th>Significant Statement</th>
<th>Formulated Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A/Participant A</td>
<td>Guanxi is an interaction between you and other people in terms of networking or social networking in Australia, and this can explain why building up guanxi takes effort and time. Guanxi is considered one of most important assets in China due to the social criteria, such as inter-personal relationships, reciprocal networks, high context culture in communication, and so on. Internal factors such as corporate culture (for example, negotiation styles) and the available resources (for example, information) leads Australian managers to focus on outcomes rather than guanxi during the negotiation process</td>
<td>An interaction between you and other people Assets Internal factors for the organisation</td>
</tr>
<tr>
<td>Group A/Participant B</td>
<td>Guanxi is based on friendship and it means having dinner or drinks with the business partners in order to get things done. Guanxi helps parties to exchange</td>
<td>Friendship Information exchange</td>
</tr>
</tbody>
</table>
market information during the negotiation process.

It is important to have a business card that is well designed with your personal information, such as name, company position, and contact number.

**Business card**

<table>
<thead>
<tr>
<th>Group A/Participant C</th>
<th>From my personal experiences, guanxi is relationships. Guanxi can also help people to reduce negotiation conflicts by understanding each other through communication.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Relationship</td>
</tr>
<tr>
<td></td>
<td>Reduces negotiation conflicts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group A/Participant D</th>
<th>I believe that guanxi is networking, for example, the more people you know in China, the more people you can positively influence when negotiating with the Chinese. The Chinese would only give a positive outcome when you are their friend or a friend’s friend in the negotiation process. I definitely think that guanxi helps in business negotiations, because it means you are able to communicate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Networking</td>
</tr>
<tr>
<td></td>
<td>Mutually comfortable negotiation.</td>
</tr>
<tr>
<td>Group A/Participant E</td>
<td>Guanxi is a kind of unique culture in China; the keys used by Australian managers to define what guanxi is can be very different due to the differences in experience, language, and so on. Guanxi help us to create trust during the negotiation process.</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Group A/Participant F</td>
<td>If guanxi is only relationships and networking, then people may ignore the criteria within the Chinese culture, such as reciprocity, mutual obligations and so on, which are used to build and maintain guanxi. The parties and power are distributed unequally in China. This is the reason that guanxi helps managers to solve problems during the negotiation process. It is cultural; managers just have to build up guanxi before the business negotiation in China. Otherwise, you can never start the business or the negotiation. In contrast, most Australia managers think that guanxi</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Group B/Participant G</td>
<td>I think guanxi is kind of long-term relationship and connection between you and others, such as friendship with a certain degree in communication. Guanxi represents trust in negotiations. If there’s no trust, no business negotiations would be done in China.</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Group B/Participant H</td>
<td>Guanxi is mutual relationships and is gradually developed from communication without materialism ideology. If a friend introduces one manufacturer to you, then you’ll have a better chance than others to succeed in bargaining during the negotiation process.</td>
</tr>
<tr>
<td>Group B/Participant I</td>
<td>Guanxi is a kind of contact between people, and each individual is mutually conveniences in any kind of activity through this kind of</td>
</tr>
<tr>
<td>Group B/Participant J</td>
<td>I believe guanxi is ‘Sympathy’, and sympathy signifies trust, acceptance, experience, support, and obligation in Chinese society. The significance of guanxi will never fade out. As the Chinese always say, ‘sympathy, reason, and law’. Clearly, guanxi is kind of sympathy which plays a more important role than law does during the negotiation process in China.</td>
</tr>
<tr>
<td>Group B/Participant K</td>
<td>Guanxi is a kind of social networking with a higher degree of involvement compared to Australia in communication, friendship, mutual benefits, and so on. I know lots of suppliers, who often offer similar or even the same products in China. My established guanxi could support me for further understanding the product’s quality following from the negotiation</td>
</tr>
</tbody>
</table>

Guanxi is effective for solving problems such as buying and selling within the Chinese market.
through my business partner.

The Chinese think that if people are willing to listen, which means they are glad to consider the viewpoint of others objectively, and that those who are speaking would think their opinions are being respected, which can establish a harmonious relationship naturally. Further, it is also recommended to encourage others to talk first, it would reduce tense and competitive situations when negotiating with the Chinese.

<table>
<thead>
<tr>
<th>Group B/Participant L</th>
<th>Guanxi is harmonious relationships in both inter-personal and inter-organisational relations.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If you are a foreigner without any true friends, it would be very hard for you to trust anyone in the Chinese society where guanxi is the top factor in business negotiations.</td>
</tr>
<tr>
<td></td>
<td>I believe that attitudes to towards time and space must be taken into account carefully if an Australian manager wants to build up guanxi during the negotiation process in China.</td>
</tr>
<tr>
<td>Harmonious</td>
<td>Outsiders and friendship</td>
</tr>
<tr>
<td>Time and space</td>
<td></td>
</tr>
<tr>
<td>Group C/Participant M</td>
<td>Guanxi consists of several requisites such as behaviour, emotion, interaction, communication and expectation. Guanxi can increase the organisation’s competiveness in market place. The more guanxi you have, the more opportunities you can profit from in the business negotiation. The Chinese think that successful negotiations are based on long-term relationships. In contrast, Australian trend to focus on each transaction. Maintaining interactions is a good start to keeping long-term guanxi and trust in China.</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Group C/Participant N</td>
<td>The solution of care is to employ the three powers to facilitate guanxi, namely moral power, attraction power, and communication power. When the Chinese ask a favour, they consider the other parties’ limitations and expertise</td>
</tr>
</tbody>
</table>
Managers should try to understand their clients and not scheme too seriously about earning profits, by regarding their clients as friends so that guanxi can be built up naturally.

Negotiation is usually indirect or even private between higher and lower managers in China; the purpose is to maintain harmonious relationships and give face to higher status managers in China.

Each individual should start guanxi as early as possible.

<table>
<thead>
<tr>
<th>Group C/Participant O</th>
<th>Friendship in relation to guanxi.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe that the status of guanxi is influenced by the environment, and different roles have different functions and attitudes. It is important for people to identify their roles in China first, and then establish an appropriate guanxi.</td>
<td></td>
</tr>
<tr>
<td>Status, power distance, hierarchy and face</td>
<td></td>
</tr>
<tr>
<td>It is important to have knowledge about other people and about yourself in order to earn trust during the negotiation process.</td>
<td></td>
</tr>
<tr>
<td>Start guanxi as early as possible</td>
<td></td>
</tr>
<tr>
<td>It is good to talk in a friendly,</td>
<td></td>
</tr>
<tr>
<td>Roles and environmental conditions</td>
<td></td>
</tr>
<tr>
<td>Knowledge and trust</td>
<td></td>
</tr>
<tr>
<td>Be good tempered,</td>
<td></td>
</tr>
</tbody>
</table>
relaxed, and pleasant way during the initial contact for making a good first impression. Furthermore, always keep smiling, which is a very pleasant way to negotiate with others in China.

**Group C/Participant P**

<table>
<thead>
<tr>
<th>The Chinese central government regards law as the most important factor in any business, social activities, and so on. For this reason, everything should be reasonable and compliant with laws in China.</th>
<th>Chinese law</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Chinese use the ideology of reciprocity as the exchange of favours, based on mutual obligation, and then provide their friends or partners with a high degree of satisfaction in negotiation outcomes.</td>
<td>Reciprocity</td>
</tr>
<tr>
<td>It’s safer to follow the words or behaviour of others, and most Chinese are not used to being praised or criticised during the negotiation process.</td>
<td>Uncertainty and collectivism</td>
</tr>
<tr>
<td>The method of transmitting messages among Chinese said to be meaning is implied. What is unsaid is always more important and has higher actual</td>
<td>Indirect communication</td>
</tr>
<tr>
<td>Group C/Participant Q</td>
<td>Not to be impetuous, capricious, selfish are the final requisites of guanxi.</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Australian managers would directly answer ‘no’ if they disagree with something.</td>
</tr>
<tr>
<td></td>
<td>It is better to keep a record of people who were once of help to you, even if they are a famous expert who gave a lecture. People should file all the information in the database, and record the relationships in detail, such as occasion, time, location, business card and so on.</td>
</tr>
<tr>
<td>Group C/Participant R</td>
<td>A website was recently set as the ‘first guanxi trading platform’ which</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
offers guanxi demanded through the exchange of money.

There are several people you should try to build and manage guanxi with in order to succeed in business negotiations with the Chinese. For example, people who have strong guanxi in China, people who can offer you a product at a good price, people who are work in a career agencies, banks, government sectors and law companies.

<table>
<thead>
<tr>
<th>Group D/Participant S</th>
<th>Chinese managers used guanxi as a tool for maintaining long-term relationships in China.</th>
<th>Maintaining long-term relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Chinese believe that others will certainly treat you with respect if you offer such assistance to them first.</td>
<td>Be enthusiastic to offer assistance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group D/Participant T</th>
<th>It is like a partnership and cooperation so that people are able to achieve their needs and wants within the Chinese society.</th>
<th>Partnership and cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>It is recommended to wait until the other party stops speaking.</td>
<td>Do not interrupt others</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group D/Participant U</th>
<th>Although guanxi originated from</th>
<th>Mutual benefit with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group D/Participant V</td>
<td>Trust and reciprocity are two main criteria for building up guanxi when negotiating with the Chinese.</td>
<td>Trust and reciprocity</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td>Products or services will be sold at the costs higher than the revenues in the market place. Afterwards, these SMIEs would be shut down due to the challenges of financial constraints within a period of time.</td>
<td>Price wars</td>
</tr>
<tr>
<td></td>
<td>When you consider offering a favour to your business partners in China, this doesn’t mean that you should offer presents, unless you’re sure about they would be willing to accept, or else do not take the liberty to send any gifts</td>
<td>Offer the ‘right’ favours</td>
</tr>
<tr>
<td>Group D/Participant W</td>
<td>Appropriate employees hired through labour</td>
<td>Labour</td>
</tr>
</tbody>
</table>
guanxi are easier to manage and trust can be built before they are hired by an organisation.

People who may be keen on gaining the advantage may argue that ‘walking off with something is not really stealing’. Although taking trivial things is not significant; nevertheless, once something really serious happens, such people are always the first suspect in the eyes of Chinese superiors.

People habitually engage in idle talk about others. Generally, those who love to gossip about others are inevitably a trouble-maker from the Chinese point of view.

<table>
<thead>
<tr>
<th>Group D/Participant X</th>
<th>Australian managers should understand the meaning behind the word rather than transferring the word directly.</th>
<th>Do not have further contact with those who walk off with something</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bargaining through a guanxi network gradually becomes a means for winning business negotiations in China.</td>
<td>Avoid associating with ‘gossipers’</td>
</tr>
</tbody>
</table>

Source: Developed for this study
Appendix 5: Themes with Associated Formulated Meanings

<table>
<thead>
<tr>
<th>Theme 1: The perception of guanxi from group A’s perspective (Australians working in Australia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships</td>
</tr>
<tr>
<td>Friendship</td>
</tr>
<tr>
<td>Networking</td>
</tr>
<tr>
<td>Interactions between you and other people</td>
</tr>
<tr>
<td>Unique culture in China</td>
</tr>
<tr>
<td>An Australian perception of guanxi</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme 2: The perception of guanxi from group B’s perspective (Australian working in China)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term relationships and connections</td>
</tr>
<tr>
<td>Mutual relationships without materialism</td>
</tr>
<tr>
<td>Contact between people</td>
</tr>
<tr>
<td>Sympathy</td>
</tr>
<tr>
<td>High degree of involvement in social networking</td>
</tr>
<tr>
<td>Harmony</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme 3: The perception of guanxi from group C’s perspective (Chinese working in China)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviour, emotion, interaction, communication and expectation</td>
</tr>
<tr>
<td>Not being impetuous, capricious and selfish.</td>
</tr>
<tr>
<td>Moral power, attraction power, and concern power</td>
</tr>
<tr>
<td>Chinese law</td>
</tr>
<tr>
<td>Role and environment conditions</td>
</tr>
<tr>
<td>Exchange of money</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme 4: The perception of guanxi from group D’s perspective (Chinese working in Australia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual benefits and inter-personal relationships</td>
</tr>
<tr>
<td>Partnerships and cooperation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme 5: Guanxi in the negotiation process from group A’s perspective (Australia working in Australia)</th>
</tr>
</thead>
</table>

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Assets
Information exchange
Reducing negotiation conflicts
Mutually comfortable negotiations
Trust
High power distance
Internal factors for an organisation

Degree of involvement in guanxi

**Theme 6: Guanxi in the negotiation process from group B’s perspective (Australia working in China)**

Trust and performance
Successful bargaining
Problem-solving
Sympathy versus law
Quality control
Outsiders and friendship

**Theme 7: Guanxi in the negotiation process from group C’s perspective (Chinese working in China)**

Competitive position
Reciprocity
Favour in relation to limitations and expertise
Knowledge and trust
Opportunity
Friendship in relation to guanxi.
Uncertainty and collectivism
Indirect communication
Direct communication
Harmonisation and language
Status, power distance, hierarchy and face
Relationship and focus on transactions
Theme 8: Guanxi in the negotiation process from group D’s perspective (Chinese working in Australia)

Maintaining long-term relationships
Face giving in relation to harmony
Trust and reciprocity
Indirect communication in relation to the negotiation process
Labour
Bargaining
Price wars

Theme 9: Guanxi as a strategy in the negotiation process

Start guanxi as early as possible
Maintain long-term relationships and trust
Be good tempered, always smile, and offer many compliments
Time and space
Business card
Be enthusiastic to offer assistance
Offer the ‘right’ favours
Listen and encourage others to talk first
File information in the computer
Use a web-based operating system
Do not have further contact with those who walk off with something
Avoid associating with ‘gossipers’
Do not interrupt others
People you should know

Source: Developed for this study
Appendix 6: The Functions of a Focus Group

1. **Preparation:** Choose the panel members, approach participants, explain the plan, and the select the venue which as discussed in section 3.4.2.2.2 (p. 96).

2. **Set the scene:** The researcher is first welcome people, and then explains the purpose and process of the research (Section 3.4.2.2.2, p. 96).

3. **Context:** Facilitate a brief initial discussion which is slightly broader than the issue and concept that relevant to the research topic and questions.

4. **The discussion:** This is the heart of the process, and it was contained a number of steps:

   - Explain the concept and what the researcher wants from the discussion *(for example, the purpose of this discussion is to increase confidence in the credibility of results from the in-depth interview)*.

   - Allow participants a few minutes *(15-20 minutes in average)* to think about their response to interview questions and the findings from the in-depth interview.

   - An initial open discussion follows; during this, the researcher also encourages participants to identify extract information and then note it down by memo for the next part of the discussion.

   - Ask participant to report the question that *‘do they agree or disagree the findings from the in-depth interview?’*, and then capture these on memo with tape recorder.

   - Next, the researcher facilitates a discussion from participants’ opinions; capture the key aspects of this on memo and tape recorder.

   - Finally, thanks to all participants who joined the focus group for this research.

**Source:** Southern Cross University 2002; Dick 2002
## Appendix 7: Comparison between Collected Data and Triangulation Findings for Themes and Research Questions

<table>
<thead>
<tr>
<th>Sample Group/</th>
<th>Themes/</th>
<th>Research Questions</th>
<th>Data Collection</th>
<th>Triangulated Findings</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A/</td>
<td>Theme 1/</td>
<td>RQ1</td>
<td>Relationship, friendship, networking, and interaction between you and other people.</td>
<td>Hard to define due to the differences in personal experiences, situation, and perception.</td>
<td>Perceptions of guanxi were not in agreement with the evidence</td>
</tr>
<tr>
<td>Group A/</td>
<td>Theme 5/</td>
<td>RQ 2</td>
<td>All participants believed that guanxi does affect the negotiation process in China, and Australian managers need to take account of assets, information exchanges, negotiation conflicts, organisational capabilities, involvement and so on. In contrast to Australia, only two participants agreed that guanxi does</td>
<td>All participants believed that guanxi does affect the negotiation process in China through both social and technological variables, such as trust, information exchange, and so on. Some participants believed that guanxi</td>
<td>Responses were in agreement with the evidence</td>
</tr>
<tr>
<td>Group A/ Theme 9/ RQ 3</td>
<td><strong>It is recommended to give a business card, help others, give favours, and then store information about the business partners.</strong></td>
<td><strong>All participants agreed with the interview findings.</strong></td>
<td><strong>Recommendations were in agreement with the evidence.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group B/ Theme 2/ RQ1</strong></td>
<td><strong>Guanxi is a kind of long-term inter-personal relationship, connection, sympathy, social networking and the potential assistance that may be provided to you by someone, which can be anticipated from your innermost connections, such as friendship, family, and love without materialism, contact between people, sympathy, high degree of involvement in social life, networking, and harmony.</strong></td>
<td><strong>Long-term relationships and connections, mutual relationships without materialism, contact between people, sympathy, high degree of involvement in social life, networking, and harmony.</strong></td>
<td><strong>Perceptions of guanxi were in agreement with the evidence.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Negotiation Across China: How to Build and Manage Guanxi During the Negotiation Process
<table>
<thead>
<tr>
<th>Group B/Theme 6/</th>
<th>RQ2</th>
<th>All participants believed that guanxi does affect the negotiation process in China, but not in Australia, because the Chinese market has its unique style in bargaining, problem-solving, illegal systems, and so on.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All participants believed that guanxi does strongly affect the negotiation process in China, but not in Australia due to the differences in social and political variables, such as trust, bargaining, illegal system, and so on.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Responses were in agreement with the evidence.</td>
</tr>
<tr>
<td>Group B/Theme 9/</td>
<td>RQ3</td>
<td>In the negotiation process, guanxi strategies can be implemented as follows: ‘Start guanxi as early as possible’, ‘maintain long- term relationships and trust’, ‘be good tempered’, ‘always smile’, ‘offer many compliments’, ‘time and space’, ‘business card’, and ‘listen and encourage others to talk first’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All participants believed that guanxi based strategies during the negotiation process can be implemented according to the interview findings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Recommendations were in agreement with the evidence.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group C/</th>
<th>Guanxi is an interactive</th>
<th>The real guanxi</th>
<th>Perceptions of</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>Theme 3/</th>
<th>RQ1</th>
<th>Theme 7/</th>
<th>RQ2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>relation of various acts such as communication, expectation, attraction, devotion, attention and cooperation expressed through emotion, moral, and right behaviours under the Chinese law between two or more people without impetuous, capricious, selfish materialistic manners during their lifetimes</td>
<td>needs to take account of: 1. Behaviour, emotion, interaction, communication and expectation without impetuous, capricious, selfish behaviours. 2. Moral power, attraction power, and concern power 3. Long-term relationships with devotion, attention and cooperation. 4. Chinese law</td>
<td>guanxi were in agreement with the evidence.</td>
</tr>
<tr>
<td></td>
<td>All participants believed that guanxi does affect the negotiation process in China, but not in Australia, because of differences in economic structure, competitive position, reciprocity network, favour ideology, knowledge, opportunity, communication, information, and so on.</td>
<td>All participants believed that economic, political, social and technological variables influence guanxi to affect the negotiation process in China, but not in Australia because of the differences in the macro-environment.</td>
<td>Responses were in agreement with the evidence.</td>
</tr>
<tr>
<td>Group C/ Theme 9/</td>
<td>When negotiating with the Chinese, guanxi strategies are: ‘start guanxi before the negotiation process’, ‘build up long-term relationships’, ‘smile with good emotions’, ‘take into account time and space’, ‘use a web-based operating system’, ‘never interrupt others’, and ‘know the right people’.</td>
<td>All participants agreed with the interview findings. They believed that these strategies are often used to overcome conflicts during the negotiation process in China.</td>
<td>Recommendations were in agreement with the evidence.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Group D/ Theme 4/</td>
<td>Guanxi is the combination of mutual benefits and inter-personal relationships, with slightly less emphasis on mutual benefit.</td>
<td>Guanxi is a kind of inter-personal relationship with a higher degree of involvement in mutual benefits.</td>
<td>Perceptions of guanxi were in agreement with the evidence.</td>
</tr>
<tr>
<td>Group D/ Theme 8/</td>
<td>All participants believed that guanxi does affect the negotiation process in China, but not in Australia. They explained this because there are differences in cultural variables (for example, labor, bargaining, and cultural variables) were totally different.</td>
<td>All participants believed the characteristics of Chinese business (for example, labor, bargaining, and cultural variables) were totally different.</td>
<td>Responses were in agreement with the evidence.</td>
</tr>
</tbody>
</table>
relationships, face, trust reciprocity, communication and harmony), and the characteristics of business such as labour, and so on.

<table>
<thead>
<tr>
<th>Group D/ Theme 9/ RQ3</th>
<th>All participants suggested that guanxi strategies should pay attention to policy guidelines and its characteristics of business during the negotiation process.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All participants agreed with interview findings, and then explained ‘the key point is to analyse both internal and external factors in relation to guanxi strategies’.</td>
</tr>
<tr>
<td></td>
<td>Recommendations were in agreement with the evidence.</td>
</tr>
</tbody>
</table>

Source: Developed for this study
# Appendix 8: List of Chinese Philosophers

## Taoist philosophers

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laozi (老子)</td>
<td>Illusive founder of Taoism and author of ‘Book of the Way’.</td>
</tr>
<tr>
<td>Zhuangzi (庄子)</td>
<td>Mystical and relativistic skeptic.</td>
</tr>
<tr>
<td>Wang Pi (王弼)</td>
<td>Three kingdoms philosopher</td>
</tr>
</tbody>
</table>

## Philosophers from other early schools

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozi (墨子)</td>
<td>Utilitarian and founder of the Moist school.</td>
</tr>
<tr>
<td>Zhuangzi (庄子)</td>
<td>Part of a series in Taoism.</td>
</tr>
<tr>
<td>Han Fei (韩非)</td>
<td>Synthesizer of legalist theories.</td>
</tr>
<tr>
<td>Sun Tzu (孫子)</td>
<td>The author of ‘The Art of War’.</td>
</tr>
</tbody>
</table>

## Buddhist philosophers

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linji (臨済義玄)</td>
<td>Founder of the Linji school of Chan (Zen- 禪) Buddhism in China.</td>
</tr>
<tr>
<td>Huineng (慧能)</td>
<td>The 6th Buddhist patriarch of the Chan (Zen) School in China.</td>
</tr>
<tr>
<td>Zhaozhou (趙州從谂)</td>
<td>A famous Buddhist philosopher during the 8th century in China.</td>
</tr>
</tbody>
</table>

## Neo-Confucian philosophers

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhu Xi (朱熹)</td>
<td>Rationalist and leading figure of the School of Principle.</td>
</tr>
<tr>
<td>Tu Wei-ming (杜維明)</td>
<td>Ethicist</td>
</tr>
<tr>
<td>Wang Yangming (王陽明)</td>
<td>Idealist and leading figure of the School of Mind.</td>
</tr>
</tbody>
</table>

## Modern philosophers

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feng Youlan (冯友兰)</td>
<td>Rationalist who integrated Neo-Confucian, Taoist, and Western metaphysics.</td>
</tr>
<tr>
<td>Han Yu (韩愈)</td>
<td>Founded Neo-Confucianism, essayist, and poet.</td>
</tr>
<tr>
<td>Jin Yuelin(金岳霖)</td>
<td>Logician.</td>
</tr>
</tbody>
</table>

Appendix 9: Sample of a Checklist for a Guanxi Plan

<table>
<thead>
<tr>
<th>Part A – General information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend/Partner’s Name:</td>
<td>Name of Company and Industry:</td>
</tr>
<tr>
<td>Phone/Mobile/Fax No:</td>
<td>Position:</td>
</tr>
<tr>
<td>Location:</td>
<td>Address:</td>
</tr>
<tr>
<td>Nationality:</td>
<td>Date:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part B – Roles, responsibilities and knowledge’s of yourself and your partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>• I understand my responsibilities as a negotiator: Y/N</td>
</tr>
<tr>
<td>• I am familiar with guanxi concept: Y/N</td>
</tr>
<tr>
<td>• I am familiar with relevant Australian/Chinese negotiation styles: Y/N</td>
</tr>
<tr>
<td>• I am familiar with the social and culture variables relating to my partner’s background: Y/N</td>
</tr>
<tr>
<td>• I have done the financial management properly when cultivated guanxi with him/her: Y/N</td>
</tr>
</tbody>
</table>
### Part C - Partner with special needs
Does your partner have special needs when build up and manage guanxi with him/her?

### Part D – Successful Guanxi Checklist

<table>
<thead>
<tr>
<th>Key Points of Guanxi Strategies</th>
<th>Self Comments</th>
<th>Completed Y/N</th>
<th>If no, then why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start guanxi before negotiation process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain long-term relationships and trust</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Be good tempered, always smile, and offer many compliments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time and space management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A well-designed business card</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Be enthusiastic to offer assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer the ‘right’ favours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listen and encourage others to talk first</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>File information in the computer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Use a web-based operating system

### No more contact with those who walk off with something

### Avoid associating with ‘gossipers’

### Do not interrupt others during the communication

### People you should know (for example, lawyer, banker and so on)

---

**Part E - Additional information**

**Is there anything more you would like to add?**

---

**P.S.:** This checklist is recommended to save into your personal computer and then update the information at least once per month

**Source:** Developed for this study

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Appendix 10: Suzhou Industrial Park

In 1992 the Chinese and Singaporean governments announced that they would jointly develop an industrial park in Suzhou (苏州), Jiangsu province (江苏省), China. Two years later China’s Vice-premier, Li Lanqing (李岚清), and Singapore’s Senior Minister, Lee Kuan Yew (李光耀), signed a formal agreement, and the China-Singapore Suzhou Industrial Park Development (CSSD) was officially set up to build and manage the industrial park. In the Joint Steering Council of the CSSD, Li Lanqing (李岚清) was the co-chair alongside Singapore’s Deputy Prime Minister, Lee Hsien Loong (李显龙). The Singaporean side held 65 per cent of the shares in the industrial park, while the Chinese side held the remaining 35 per cent.

The Suzhou Industrial Park was a government-level joint venture designed to provide superb infrastructure and services to foreign investors in China. In establishing the project, the Singaporean leaders, who believed that they knew Chinese culture very well, focused on nurturing guanxi with the highest level of Chinese leaders, including Deng Xiaoping (邓小平) and his son (Deng Pufang/邓朴方), Party Chairman Jiang Zemin (江泽民) and Premier Zhu Rongji (朱镕基). Indeed, the product was supported by top Chinese leaders from the very beginning: Jiang Zeming (江泽民) reportedly said the project was the ‘priorities of all priorities, and it must not be allowed to fail.

The Singaporean side did not, however, make an effort to cultivate guanxi with the Suzhou local government, and even declined an offer made by the local authorities regarding the location of the industrial park. Being ‘marginalized’, the Suzhou local government felt that it was losing face. As a direct consequence, later on it promoted its own industrial park, the Suzhou New District Park, to compete with the Suzhou Industrial Park in attracting foreign investors. Without support from the local government the Suzhou Industrial Park ran into serious trouble, and made very sizeable losses in the late 1990s.
The Singaporean side was furious. Lee Kuan Yew (李光耀) openly accused the Suzhou New District Park of stealing potential tenants by undercutting industrial unit prices, and accused the Suzhou local government of being more interested in promoting the Suzhou New District Park than the Suzhou Industrial Park. Singapore’s leaders then began to lobby the central government in Beijing to act decisively on the problem. It was said that the Singaporean side had instructed Beijing to close the Suzhou New District Park, or at least to bar it from receiving any new foreign investment.

However, the Singaporean side overestimated the power of the Chinese central government and underestimated the autonomy of Suzhou’s local authorities. Chen Deming (陈德铭), the Mayor of Suzhou, stressed that the local government had done nothing wrong and that there was hair competition between the two parks. Furthermore, he insisted that it would have been a mistake for the local authorities to give 50-50 treatment to the two parks, as the Suzhou Industrial Park had the backing of two national governments while the Suzhou New District Park had to fend for itself. The local government therefore refused to do anything detrimental to the interests of its own Suzhou New District Park.

Seeking no hope of any improvement in the situation, the Singaporeans decided to renegotiate the terms of the joint venture with the Chinese side. In June 1999 the Singaporean government announced that it would reduce its shareholding from 65 per cent to 35 per cent, and in January 2001 the transfer of the shareholding took place. Thereafter the Suzhou local government began to represent the Chinese side as it now acted as the controlling shareholder, and provided full support to the Suzhou Industrial Park – which has, reportedly, been running well ever since.

Source: Tian 2007, p. 67